



Steve Tshwete  
Local Municipality

PO Box 14 | Middelburg | 1050  
Cnr Walter Sisulu Str & Wanderers Ave  
Middelburg | Mpumalanga  
T: +27 (0)13 249 7000 | F: +27 (0)13 243 2550  
council@stlm.gov.za

# **SUPPLY CHAIN MANAGEMENT POLICY**

Incorporating  
Preferential Procurement & Supply Chain Management (SCM) for  
Infrastructure Procurement & Delivery Management

## **NEW**

### **1 JULY 2019**

## **MP313**



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**SUPPLY CHAIN MANAGEMENT POLICY FOR STLM  
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

The Council of the Steve Tshwete Local Municipality (STLM) resolves in terms of section 111 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 to adopt the following as the supply chain management policy of the municipality:

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## 1. TERMS, DEFINITIONS & ABBREVIATIONS

In this policy, unless the context otherwise indicates, a word, term or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and the following apply:

“*abuse*” in terms of the municipality’s supply chain management system means conduct by an official or person that is tantamount to fraud, corruption, favouritism, unfair, irregular and unlawful practices, misrepresentation on information submitted for the purposes of procuring a contract with the municipality, misrepresentation regarding the contractor’s expertise and capacity to perform in terms of a contract procured via the supply chain management system, breach of a contract procured via the supply chain management system, failure to comply with the supply chain management system, and any other conduct referred to under the heading of “*combatting abuse of the supply chain management policy*”.

“*adjudication points*” means the points for price and points for B-BBEE contribution referred to in the Preferential Procurement Regulations, 2017 and the preferential procurement section of this policy, also referred to as “*evaluation points*”.

“*accounting officer*” means a person appointed by the municipality in terms of sections 60, 82 and 93 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and in terms of section 93J of the Municipal Systems Act, 2000 (Act No. 32 of 2000), and who is the head of administration and also the municipal manager of the municipality.

“*affected person*” means a person whose rights may be materially and or adversely affected if the accounting officer takes any of the steps contemplated in this policy in order to combat abuse of the supply chain management system.

“*alternative bid*” means a bid which is submitted which materially or substantially deviates from the specification and/or bid conditions.

“*all applicable taxes*” includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.

“*asset*” means a tangible or intangible resource capable of ownership.

“*B-BBEE*” means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act, 2003, (Act No. 53 of 2003).

“*B-BBEE status level of contributor*” means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003, (Act No. 53 of 2003).

“*bid*” means a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals, or any other proposition for business with the municipality whether solicited or not.

“*bidder*” means any person submitting a bid.

“*close family member*” means:

- (a) spouse or partner;
- (b) parent; or
- (c) children

“*closing date*” means the day specified in the bid documents and/or advertisement of the receipt of bids.

“*competent person*” means a person with the relevant experience, training, capability and qualifications for a specific assignment or work to be executed.

“*competitive bid*” means a bid in terms of a competitive bidding process.

“*competitive bidding process*” means a competitive bidding process referred to in sub-regulation 12(1)(d) of the supply chain management regulations (published under GN868 in Government Gazette 27636 30 May 2005).

“*closing time*” means the time of day specified in the bid documents for the receipt of bids.

“*Competitions Act*” means the Competitions Act, 1998, (Act No. 89 of 1998, and any regulations pertaining thereto.

“*consortium*” means an association of persons, formalized by agreement between such persons, formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract.

“*consultant*” means a 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.

“*contractor*” means any person or entity whose bid has been accepted by the municipality.

“*co-operative*” means a co-operative registered in terms of section 7 of the Co-operatives Act, 2005 (Act No. 14 of 2005).

“*day*” means calendar days unless the context indicates otherwise.

“*delegated authority*” means any person or committee delegated with authority by the municipality in terms of the provisions of the MFMA.

“*designated group*” means black designated groups, black people, women, people with disabilities or small enterprises as defined in section 1 of the National Small Enterprises Act, 1996 (Act No. 102 of 1996).

“*director*” in terms of this policy means a director of a company as defined in the Companies Act, 1973 and 2008 (Act No. 61 of 1973 and Act No. 71 of 2008), a member of a close corporation as defined in the Close Corporations Act, 1984 (Act No. 69 of 1984), a trustee of a trust or a person holding an equivalent position in a firm.

“*disposal*” in relation to a capital asset, includes –

- (a) the demolition, dismantling or destruction of the capital asset; or
- (b) any other process applied to a capital asset which results in loss of ownership of the capital asset otherwise than by way of transfer of ownership.

“*disposal management system*” means the system contemplated in regulation 40 of the municipal supply chain management regulations, published by General Notice No. 868 of 2005.

“*emergency*” means an unforeseeable and sudden event with harmful or potentially harmful consequences for the municipality which requires urgent action to address.

“*evaluation points*” means the points for price and points for B-BBEE contribution referred to in the Preferential Procurement Regulations, 2017 and the preferential procurement section of this policy.

“*exempted micro enterprise (EME)*” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003, (Act No. 53 of 2003).

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

“*financial year*” means a twelve-month (12) period ending 30 June of every year.

“*formal written price quotation*” means written and electronic quotations for procurements of a transaction.

“*framework agreement*” means a term contract “*as and when*” contracts.

“*instruction*” based on a formal written order of a signed contract for the supply of goods and services or works which are of an ad-hoc and repetitive nature when the terms and conditions are approved for use over a predetermined period of time not exceeding three financial years, without any quantum of work or expenditure guarantee utilizing the contract.

“*fronting*” means, where preference points are obtained on a fraudulent basis.

“*functionality*” means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents. This is determined by the measurement according to predetermined norms, as set out in the bid documents, of the totality of features and characteristics of the goods or services that bears on the ability thereof to satisfy the stated or implied needs.

“*General Conditions of Contract (GCC)*” terms of the National Treasury means the General Conditions of Contract.

“*General Conditions of Contract (GCC)*” for construction works in terms of South African Institute of Civil Engineering (SAICE) means engineering and construction, including any level of design responsibility.

“*green procurement*” is defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimized.

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

- (a) a member of:
  - (i) any municipal council;
  - (ii) any provincial legislature; or
  - (iii) the National Assembly or the National Council of Provinces;

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

*“infrastructure”* means:

- a) immovable assets which are required, constructed or which result from construction operations; or
- b) movable assets which cannot function independently from purpose-built immovable assets.

*“infrastructure procurement”* means the procurement of goods or services including any combination thereof associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operations or disposal of infrastructure.

*“joint venture or consortium”* means an association of persons, formalized by agreement between such persons, formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract.

*“local”* in terms of this policy means services or goods produced within a 100 km radius from Steve Tshwete Local Municipality (STLM).

*“long term contract”* means a contract with a duration period exceeding one (1) year.

*“list of accredited prospective providers”* means the list of accredited prospective providers which a municipality or municipal entity must keep.

*“municipal council (council)”* means the council referred to in section 18 of the Local Government Municipal Structures Act No. 117 of 1998.

*“municipal entity”* means an entity as defined in the Municipal Systems Act, 2000 (Act No. 32 of 2000).

*“National Treasury”* has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 18 of 1999).

*“non-compliant contributor”* means a person who does not meet the minimum score to qualify as a status level 8 B-BBEE contributor, or a person who is not verified in terms of the applicable codes of good practice.

“*organ of state*” is defined in section 239 of the Constitution of South Africa as:

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

“*other applicable legislation*” means other legislation applicable to municipal supply chain management, including:

- (a) PPPFA (Preferential Procurement Policy Framework Act, 2000, Act No. 5 of 2000);
- (b) B-BBEE Act (Broad-Based Black Economic Empowerment Act, 2003, Act No. 53 of 2003);
- (c) CIDB Act (Construction Industry Development Board Act, 2000, Act No. 38 of 2000);
- (d) MFMA (Local Government Municipal Finance Act, 2003, Act No. 56 of 2003);
- (e) MSA (Local Government Municipal Systems Act, 2000, Act No. 32 of 2000);
- (f) LGMSA (Local Government Municipal Structures Act, 1998, Act No. 117 of 1998);
- (g) PCCA Act (Prevention and Combating of Corrupt Activities Act, 2004, Act No. 12 of 2004);
- (h) PPPR (Preferential Procurement Policy Regulations, 2017);
- (j) CA (Competitions Act, 1998, Act No. 89 of 1998);
- (j) MATR (Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008); and/or
- (k) PAJA (Promotion of Administrative Justice Act, 2000, Act No. 3 of 2000).

“*participation goal*” is the value of the participation of specific targeted labour and/or enterprises that a contractor must achieve in the performance of a contract, expressed as a percentage of the bid sum less provisional sums and contingencies including all taxes.

“*principle shareholder*” means a person possessing such an interest or number of shares in an organization that he can influence decisions taken.

“*person*” includes a natural or legal entity.

*“people with disabilities”* has the meaning assigned to it in section 1 of the Employment equity Act, 1998 (Act No. 55 of 1998).

*“preferred bidder”* means a bidder with whom negotiations may be entered into to conclude the final terms of a contract.

*“qualifying small enterprise (QSE)”* means a qualifying small enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).

*“quality”* also referred to as *“functionality”*.

*“reckoning of number of days”* means when any particular number of days is prescribed for the doing of any act, or for any other purpose, the same shall be reckoned exclusively of the first and inclusively of the last day, unless the last day happens to fall on a Sunday or on any public holiday, in which case the time shall be reckoned exclusively of the first day and exclusively of every such Sunday and public holiday.

*“the regulation(s)”* means the supply chain management regulations (published under GN868 in Government Gazette 27636 30 May 2005).

*“responsible person”* means a director or manager who is responsible for the procurement of goods and services in his/her department.

*“Rand value”* means the total estimated value of a contract in Rand, calculated at the time of bid invitation.

*“Republic”* means the Republic of South Africa.

*“responsible agent”* means either an internal project manager (being an employee of the municipality) or an external consultant (appointed by the municipality), as the case may be, who is responsible for the implementation of a project or part thereof.

*“rural area”* means a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area or an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system.

*“SARS”* means the South African Revenue Services.

“*single provider*” means sole provider – one and only (alone of its kind) supplier (Oxford dictionary). If such goods or services are produced or available from a single provider only. There is no competition and only one (1) provider exists in SA (for example, sole distribution rights).

“*stakeholder*” means any person with a vested interest in a particular organization.

“*stipulated minimum threshold*” means the minimum threshold stipulated in terms of any relevant section of the Preferential Procurement Regulations, 2017.

“*strip and quote*” means when the repairs and maintenance on our machines, vehicles are done by one (1) supplier and/or strip/quote, for example, a municipal vehicle enters the workshop that needs repairs, however to do the repairs, the vehicle has to be sent to a supplier that determines what repairs should be done.

“*sub-contract*” means to employ a firm or person outside of one’s company to do (work) as part of a larger project or carry out work for a company as part of a larger project.

“*sub-contractor*” means an individual (person) or business firm contracting to perform part or all of another’s contract.

“*supplier/vendor*” are generic terms which may include suppliers of goods and services, contractors and/or consultants.

“*supply chain management (SCM) regulations*” means the municipal supply chain management regulations (published under GN868 in Government Gazette 27636 30 May 2005).

“*targeted labour*” means those individuals employed by a contractor, or sub-contractor, in the performance of a contract, who are defined in the contract as the target group, and who permanently reside in the defined target area.

“*targeted enterprises*” means those enterprises (suppliers, manufacturers, service providers or construction works contractors) that own, operate or maintain premises within the target area defined in the contract, for the purposes of carrying out their normal business operations.

“*tender/tenderer*” means “*bid/bidder*”.

“*the Act*” means the Local Government: Municipal Finance Management Act, 56 of 2003.

“*this policy*” means this supply chain management policy.

“*township*” means an urban living area that at any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994.

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

“*transaction value*” means the actual contract value (the bid sum or price) in South African currency, inclusive of all applicable taxes in respect of the goods, services or construction works that are contracted for.

“*Treasury*” has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 18 of 1999).

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

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

“*unsolicited bid*” means an offer submitted by any person at its own initiative without having been invited by the municipality to do so.

“*validity period*” means the period for which a bid is to remain valid and binding on stipulated in the relevant tender document.

“*written quotations*” means quotations referred in sub-regulation 12(1)(b) of the supply chain management regulations (published under GN868 in Government Gazette 27636 30 May 2005).

“*youth*” has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

*Note 1: 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, close corporations, joint ventures and firms, unless the context clearly indicates otherwise.*

*Note 2: Unless otherwise indicated, all amounts/limits stated in this document shall be deemed to be inclusive of all applicable taxes.*

## **CHAPTER 1 ESTABLISHMENT & IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

### **2. SUPPLY CHAIN MANAGEMENT POLICY**

#### **2.1 Introduction**

- 2.1.1 This policy is established in terms of supply chain management sub-regulation 2(1), 3(1)(b) of chapter 1 and 9 of chapter 2 (published under GN868 in Government Gazette 27636 30 May 2005); and
- 2.1.2 Section 111 of the MFMA (the Local Government Municipal Finance Act, 2003 (Act No.56 of 2003) requires each municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.
- 2.1.3 The PPPFA (Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), requires an organ of state to determine its preferential procurement policy and to implement it within the framework prescribed. This requirement is given effect to in the preferential procurement section of this policy; and
- 2.1.4 In addition, establish a supply chain management system for infrastructure procurement and delivery management in terms of Circular 77 (in terms of SCM sub-regulation 3(2)(a) & (c)) and in terms of section 238 of the Constitution of the Republic of South Africa, 1996.
- 2.1.5 The accounting officer of Steve Tshwete Local Municipality (hereafter referred to as STLM) applies this supply chain management policy in terms of section 62(1)(f)(iv) of the Act take all reasonable steps to insure that STLM has and implements this supply chain management policy as set out in supply chain management regulation 2.

#### **2.2 Normative references**

##### **2.2.1 Acts of Parliament:**

- (a) The following referenced Acts of Parliament are indispensable for the application of this policy:

- (i) Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) (B-BBEE Act);
- (ii) Constitution of the Republic of South Africa, 1996
- (iii) Competitions Act, 1998 (Act No. 89 of 1998) (CA);
- (iv) Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) (CIDB Act);
- (v) Local Government Municipal Finance Act, 2003 (Act No. 56 of 2003) (MFMA);
- (vi) Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998) (LGMSA);
- (vii) Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA);
- (viii) National Archives and Records Services of South Africa Act, 1996 (Act No. 43 of 1996);
- (ix) Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); (PPPFA);
- (x) Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004) (PCCA Act);
- (xi) Promotion of Administrative Justice Act, 2000, (Act No. 3 of 2000) (PAJA).

## 2.3 Desired outcomes

2.3.1 The desired outcome of this policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the Steve Tshwete Local Municipality (STLM), whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:

- (a) to stimulate and promote local economic development in a targeted and focused manner;
- (b) to promote resource efficiency and reduce the negative environmental impact of daily operations of the municipality;
- (c) to facilitate creation of employment and business opportunities for the people of STLM with particular reference to B-BBEE;
- (d) to promote the competitiveness of local businesses;

- (e) to increase the small business sector access, in general, to procurement business opportunities created by council;
- (f) to support green procurement initiatives as far as is reasonably possible;
- (g) to support local contractor development; and
- (h) to encourage the culture of value for money.

## 2.4 Compliance with ethical standards

2.4.1 In terms of clause 47 of this policy in order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this policy will strive to ensure that the accounting officer and all representatives of STLM involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.

2.4.2 All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Municipal Systems Act, and this policy's Code of Ethical Standards.

## 3. **REGULATORY CONTEXT & THE PRINCIPLES OF THIS POLICY**

3.1 The principles of this policy are that it:

- (a) gives effect to:
  - (i) section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective; and
  - (ii) part 1 of chapter 11 and other applicable provisions of the Act;
- (b) complies with all applicable provisions of the MFMA including the municipal supply chain management regulations (published under GN868 in Government Gazette 27636 30 May 2005) and to comply with any National Treasury circulars/guidelines specifically adopted by council, in terms of the MFMA;

- (c) ensures consistency with all other applicable legislation and any Regulations pertaining thereto, including:
  - (i) compliance with:
    - (1) the regulatory framework prescribed in chapter 2 of the regulations; and
    - (2) any minimum norms and standards that may be prescribed in terms of section 168 of the Act.
  - (ii) consistency with other applicable legislation identified in sub-clause 2.2 of this policy and any regulations pertaining thereto, including:
    - (1) the Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008 (MATR);
    - (2) the Preferential Procurement Policy Regulations, 2017 (PPPR); and
    - (3) the Municipal Supply Chain Management Regulations (published under GN868 in Government Gazette 27636 30 May 2005);
  - (iii) in terms of SCM regulation sub-regulation 2(1), does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - (iv) being consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

#### **4. APPLICATION OF POLICY**

- 4.1 The municipality may not, in terms of section 110 of the Act, act otherwise than in accordance with this policy when:
  - (a) procuring goods or services including infrastructure professional services and works and professional service providers/consultant in respect of goods and 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;
- (d) in the case of a municipality, selecting external mechanisms referred to in section 80 (1)(b) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) for the provision of municipal services in circumstances contemplated in section 83 of that act; or
- (e) procuring goods and services under a current contract secured by another organ of state, provided that the relevant supplier has agreed to such procurement.

4.2 Unless specifically stated otherwise, this policy does not apply if the municipality contracts with another organ of state for:

- (a) the provision of goods or services to the municipality;
- (b) the provision of a municipal service, or assistance in the provision of a municipal service; or
- (c) any other contractual agreements between organs of state for whatever reasons.

4.3 A report shall be submitted to the appropriate delegated authority seeking authority to contract with another organ of state.

4.4 Sub-clause 3.1 and 4.1 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.

4.5 The policy provides, in terms of chapter 2 of the SCM regulations, sub-regulation 9(b), for the following supply chain management systems:

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

(f) performance management system.

4.5.1 These systems must be adhered to in all supply chain management activities undertaken by the municipality.

**5. ADOPTION & AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY**

- 5.1 In terms of supply chain management regulation 3, this policy is effective from the date on which it is adopted by council. Should any legislation be enacted or be amended that conflicts with any part of this policy, such legislation will take precedence and will be implemented by the municipality without amending this policy. Such amendment of the policy as may be required would be done as expeditiously as possible.
- 5.2 The accounting officer must:
- (a) at least annually review the implementation of this policy; and
  - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council for approval.
- 5.3 If the accounting officer submits a draft policy to the council that differs from the supply chain management policy, the accounting officer must ensure that such draft policy complies with the regulations. The accounting officer must report any deviation from the supply chain management policy to the National Treasury and the relevant Provincial Treasury.
- 5.4 When amending this supply chain management policy, the need for uniformity in terms of the supply chain management regulation, sub-regulation 3(3), 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.
- 5.5 The accounting officer of the 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 policy.

## **6. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS & DUTIES**

6.1 The council is hereby required in terms of supply chain management sub-regulation 4(1) to delegate such additional powers and duties to the accounting officer so as to enable the accounting officer to:

- (a) discharge the supply chain management responsibilities conferred on accounting officer in terms of:
  - (i) chapter 8 or 10 of the Act; and
  - (ii) the supply chain management policy;
- (b) maximize administrative and operational efficiency in the implementation of the supply chain management policy;
- (c) 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) comply with his or her responsibilities in terms of section 115(1)(a-b) and sub-section (2) of the Act and other applicable provisions of the Act.

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

6.3 In terms of MFMA section 158(e) and MFMA supply chain management regulation, sub-regulation 27(3), sub-regulation 29(2)(iii) and regulation 4, the accounting officer may appoint an external expert service provider to Act as consultant or advisor to provide verbal or written advice without any decision powers stipulated in clauses 6.2 and 6.3 of this policy.

6.4 The accounting officer may delegate or sub-delegate the authority to enter into negotiations in terms of clause 20 of this policy.

## **7. SUB-DELEGATIONS**

7.1 In terms of regulation 5 of the supply chain management regulations, section 79 and/or 106 of the Act applies.

- 7.2 Sub-delegation powers and duties delegated to the accounting officer in terms of clause 6, sub-clauses 7.3, 7.4, 7.5, 7.6 and 29.1(a) of this policy including those in the supply chain management regulation, sub-regulation 4(1):
- 7.2.1 The accounting officer has the statutory power to delegate or sub-delegate to a staff member any power conferred on the accounting officer in terms of the MFMA and the supply chain management regulations relating to supply chain management.
  - 7.2.2 No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant who is not a municipal official.
- 7.3 In terms of section 79(3)(d) of the Act, in the case of a delegation to a member of the municipality's top management in terms of sub-section (1)(b), authorize that member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility.
- 7.4 The accounting officer hereby in terms of supply chain management sub-regulation 5(2) will not sub-delegate the following:
- (a) above R10-million (VAT included) and is thus awarded by the accounting officer; or
  - (b) above R2-million (VAT included), but not exceeding R10-million (VAT included), and is thus awarded by the accounting officer.
- 7.5 The accounting officer hereby in terms of supply chain management sub-regulation 5(2) may sub-delegate the following and gives power to make a final award:
- (a) above R200 000,00 (VAT included) but not exceeding R2-million (VAT included) only to –
    - (i) the bid adjudication committee of which the executive director financial services is the chairperson and/or
    - (ii) a delegated executive director act as chairperson of the bid adjudication committee in the absence of the executive manager financial services; or

- (b) not exceeding R200 000,00 (VAT included) only to -
  - (i) the executive director financial services;
  - (ii) a senior manager;
  - (iii) a manager directly accountable to the executive director financial services or senior manager; or
  - (iv) a bid adjudication committee; and
- (c) Sub-delegations by the accounting officer will either or be sub-delegation to top management as set out below or alternatively as decided and agreed with accounting officer in writing:
  - (i) executive director financial services;
  - (ii) executive director community services;
  - (iii) executive director infrastructure services; or
  - (iv) executive director corporate services.

7.6 An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-clauses 7.5(b) or (c) of this policy must within ten (10) working days of the end of each month submit to the official referred to in sub-clauses 7.5(b) or (c) of this policy a written report containing particulars of each final award made by such official or committee during that month, including:

- (a) the contract numbers and descriptions of goods, services or infrastructure projects;
- (b) the amount of the award;
- (c) the B-BBEE level of contribution claimed;
- (d) the name of the person to whom the award was made; and
- (e) the reason why the award was made to that person.

7.7 All written reports required in terms of this policy must be submitted to the accounting officer, and or to the executive director financial services or the executive manager/director responsible for the relevant bid and or quotation, in the case of an award by:

- (a) the executive director financial services; or
- (b) an executive director and or director; or
- (c) a bid adjudication committee of which the executive director financial services or a director is a member; or
- (d) an executive director referred to in sub-clause 7.6 of this policy; or
- (e) a bid adjudication committee of which the executive director financial services or a director is not a member.

- 7.8 Clauses 5 and 6 of this policy do not apply to procurements out of petty cash.
- 7.9 This clause may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in clause 21 of this policy.
- 7.10 Bids awarded must be published on council's website in terms of section 75(1)(g) of the Act and sub-regulation 23(c).
- 7.11 No supply chain management decision-making powers may be delegated to an advisor or consultant as stipulated in clause 6.2 of this policy.

## **8. OVERSIGHT ROLE OF COUNCIL**

- 8.1 Section 117 of the Act prohibits a councillor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may the councillor attend any such meeting as an observer.
- 8.2 The executive mayor will provide general political guidance over the fiscal and financial affairs of STLM and must monitor and oversee the exercise of responsibilities assigned to the accounting officer and executive director financial services in terms of the Act.
- 8.3 The council must maintain oversight in terms of supply chain management regulation 6 over the implementation of this supply chain management policy.
- 8.4 For the purposes of such oversight the accounting officer must:
  - (a) in terms of sub-regulation 6(2) (a)(1) of the supply chain management regulation within thirty (30) days of the end of each financial year (ending June, submission before end of July), submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality;
  - (b) whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council.

- 8.5 The accounting officer must in terms of sub-regulation 6(3) of the supply chain management regulation, within ten (10) days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive mayor.
- 8.6 The reports must be made public in accordance with section 21(1)(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

**9. SUPPLY CHAIN MANAGEMENT UNIT**

- 9.1 The municipality has in terms of section 82 of the Act and regulation 7 of the supply chain management regulations, established a supply chain management unit within the finance department to assist the accounting officer to implement this policy.
- 9.2 The executive director financial services is administratively in charge of the supply chain management unit which operates under the direct supervision of the assistant director supply chain management, to whom this duty has been sub-delegated in terms of sub-sections (1)(b) and 79(3)(d) and section 82 of the Act.

**10. COMPETENCY AND TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS**

- 10.1 The accounting officer shall ensure in terms of section 107 of the Act and regulation 8 of the supply chain management regulations that all persons involved in the implementation of this policy meet the prescribed competency levels, and where necessary, shall provide relevant training.
- 10.2 The training of officials involved in implementing this policy shall be in accordance with any National Treasury circulars/guidelines on supply chain management training.

**11. COMMUNICATION WITH THE MUNICIPALITY**

- 11.1 All correspondence with regard to this policy shall be addressed to the accounting officer.

**12. AVAILABILITY OF SUPPLY CHAIN MANAGEMENT POLICY**

- 12.1 A copy of this policy and other relevant documentation is available on the municipality's website- [www.stevetshwetelm.gov.za](http://www.stevetshwetelm.gov.za)

13. **E-PROCUREMENT**

- 13.1 The implementation and use of an e-Procurement system is at the sole discretion of the accounting officer.

## **CHAPTER 2 FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT**

### **14. FORMAT OF THIS SUPPLY CHAIN MANAGEMENT SYSTEM**

14.1 This supply chain management policy provides in terms of regulation 9 of the supply chain management regulations a system for:

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

### ***PART 1 DEMAND MANAGEMENT***

### **15. DEMAND MANAGEMENT**

#### **15.1 Introduction**

15.1.1 Demand management provides in terms of regulation 10 of the supply chain management regulations, for an effective system to ensure that the resources required to support the strategic and operational commitments of the municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality.

15.1.2 The municipality's integrated development plan (IDP) is a comprehensive strategy document setting out how the municipality intends to tackle its primary and social developmental challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget and vote is based.

15.1.3 In order to achieve effective demand management, the responsible executive director shall continuously ensure:

- (a) that efficient and effective supply chain management systems and practices are implemented to enable the municipality to deliver the required quantity and quality of services to the public;

- (b) the establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability;
- (c) the development of a professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced; and
- (d) in dealing with suppliers and potential suppliers, that the municipality responds promptly, courteously and efficiently to enquiries, suggestions and complaints.

## 15.2 Major activities

15.2.1 Demand management (see Annexure C1) is the beginning of the supply chain management process and the major activities associated with identifying demand are:

- (a) establishing requirements;
- (b) determining needs; and
- (c) deciding on appropriate procurement strategies and establish a procurement plan.

15.2.2 Demand management plan accordingly shall involve the following activities:

- (a) understanding the future needs;
- (b) identifying critical delivery dates;
- (c) identifying the frequency of the need;
- (d) linking the requirement to the budget;
- (e) conducting expenditure analyses based on past expenditure;
- (f) determining requirements (including the internal capacity to implement),

- (g) conducting commodity analyses in order to check for alternatives; and
- (h) conducting industry analyses.

### 15.3 System of demand management

#### 15.3.1 Requirements

- (a) The demand management plan must be developed at the beginning of the financial year when the IDP, SDBIP and annual budget in terms of section 28 have been approved.
- (b) All user departments are required to submit their procurement plans to the assistant director SCM within ten (10) days after the approval of the annual budget.
- (c) The procurement plan must be submitted to and approved by the accounting officer or his/her delegate before the 30<sup>th</sup> of June of each year.
- (d) The procurement plan must be renewed regularly and submitted to the accounting officer or his/her delegate on a quarterly basis.
- (e) Demand management must be coordinated by SCM officials of the municipality in consultation with end-users.
- (f) The outcome of this activity should be a detailed planning document in order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy needs.
- (g) An effective system of demand management must include the following:

- (i) planning for future requirements for the acquisition and disposals of all goods required to meet the strategic goals outlined in the integrated development plan must be quantified, budgeted and planned to ensure timely and effective delivery, appropriate quality at a fair cost to meet the needs of the Municipality and community.
- (ii) Critical delivery dates that must be determined and adhered to.
- (iii) If the requirement is of a repetitive nature and there are benefits of economies of scale a contract for a specific commodity should be arranged.
- (iv) In order to compile the correct specifications an industry analysis/research should be undertaken to ensure future needs and technology benefits are maximized.

## ***PART 2: ACQUISITION MANAGEMENT***

### **16. SYSTEM OF ACQUISITION MANAGEMENT**

#### **16.1 Introduction**

16.1.1 Through operational procedures the objectives of this acquisition management system are to ensure:

- (a) that goods and services, including construction works and consultant services are procured by the Municipality only in accordance with the authorized procedures and processes incorporated herein;
- (b) that expenditure on goods and services, is incurred in terms of an approved budget in terms of section 15 of the Act, including construction works and consultant services;
- (c) that the threshold values of the different procurement procedures are complied with; and
- (d) that bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including:

- (i) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its regulations;
- (ii) any conditions of the MFMA and its regulations;
- (iii) any conditions of the Standard for Infrastructure Procurement in terms of Circular 77 (see Annexure B);
- (iv) the CIDB Act and its regulations where applicable as; and
- (v) that procurement circulars/guidelines issued by the National Treasury and specifically adopted by council.

## 16.2 General

16.2.1 Application - a supply chain management policy is subject to supply chain management regulations, sub-regulation 11(2).

16.2.2 This acquisition management system contains the general conditions and procedures and processes which are applicable, as amended from time to time, to all procurement, contracts, and orders for the municipality.

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

- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

16.2.4 The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system:

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

16.3 Deliberate splitting of orders

16.3.1 In terms of section 173(1)(c) of the Act the provision of goods and services or works may not deliberately be split into part, or items of a lesser value, merely to avoid complying with the requirements set out in this policy.

16.4 Municipality's supplier database

16.4.1 The municipality's supplier database in terms of supply chain management regulations, sub-regulation 14(1)(b) is the database which lists the details of all suppliers who have registered in order to do business with the municipality.

16.4.2 The accounting officer shall ensure that the municipality's supplier database is updated at least quarterly and shall at least once per year, through newspapers commonly circulating locally, the website of the municipality, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultant services to register on the municipality's supplier database.

16.4.3 The accounting officer shall disallow the registration of any prospective supplier on the municipality's supplier database who does not comply with the requirements of the central supplier database (CSD).

16.4.4 The accounting officer shall disallow the registration of any prospective supplier whose name appears on the National Treasury's database of restricted suppliers and/or register for tender defaulters and who is therefore prohibited from doing business with the public sector.

16.4.5 Bidders who are not registered on the municipality's supplier database are not precluded from submitting bids but must however register when called upon to do so.

16.4.6 All persons forming part of a joint venture or consortium must comply with the requirements of clause 16.12. of this policy.

- 16.5 National Treasury's web-based central supplier database (CSD)
- 16.5.1 In addition to the requirements of the municipality's supplier database, it is a requirement for all suppliers to be registered on the National Treasury web-based central supplier database (CSD) that can be accessed at <https://secure.csd.gov.za>.
- 16.5.2 The CSD is the national standardized and centralized electronic supplier database administered by the National Treasury in terms of MFMA Circular 81 which provides information to an organ of state.
- 16.5.3 Prospective suppliers shall be allowed to submit applications for registration and amendments for listing on the CSD at any time and agree to the terms and conditions of the CSD.
- 16.5.4 Bidders who are not registered on the CSD are not precluded from submitting bids but must however register prior awarding of bid/quotation and when called upon to do so must be registered within five (5) working days otherwise the bid will be regarded as non-responsive.
- 16.5.5 Prospective suppliers must notify the municipality immediately upon receipt of their CSD reference number (MAAA....) for this to be captured onto the municipality's supplier database.
- 16.5.6 The overall tax compliance status of prospective suppliers is reflected by the central supplier database (CSD).
- 16.5.7 The central database system (CSD) will automatically validate the following registration documents:
- (a) confirmation and status of business registration documents;
  - (b) proof of bank account registration;
  - (c) tax compliance status;
  - (d) employee in the services of the state;
  - (e) identity documents;

- (f) tender defaulters and restrictions status; and
- (g) proof of CSD registration.

The following documents will remain the responsibility of the municipality to obtain and verify:

- (a) BBBEE status;
- (b) CIDB Grading; and
- (c) municipal account status.

## 16.6 Range of procurement processes

16.6.1 The procurement of goods and services in terms of supply chain management regulation 12 including infrastructure works and supplies through this policy is provided by way of:

- (a) petty cash purchases, up to a transaction value of R2 000,00 (VAT included) subject to the provisions of the petty cash policy (attached as Annexure E);
- (b) three (3) written price quotations for procurements of a transaction value over R2 000,00 up to R30 000,00 (VAT included);
- (c) formal written price quotations for procurements of a transaction value over R30 000,00 up to R200 000,00 (VAT included); and
- (d) a competitive bidding process for:
  - (i) procurements above a transaction value of R200 000,00 (VAT included); and
  - (ii) the procurement of long term contracts.

16.6.2 The accounting officer may, in writing:

- (a) lower, but not increase, the different threshold values specified in sub-clause 16.7.1 of this policy; or direct that:

- (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000,00;
- (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000,00; or
- (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000,00.

16.6.3 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.

16.7 Panels, electronic database, framework agreements, term contracts and as and when contracts (this aligns and will support the measures to promote local suppliers and SMMEs and must be read together with clause 43 of this policy).

16.7.1 The panel system

- (a) is intended to become closed to new applicants for a period of up to three (3) years and longer without a formal contract; and
- (b) applicants are admitted to panels based on criteria other than qualifications, experience, capability to deliver the required services, facilities and resources;

16.7.2 Framework agreement, term contract, and “*as and when contract*”

- (a) The municipality may make use of framework agreements, term contract and “*as and when*” contracts if such contract was obtained through a competitive bidding process and a formal award was made, supported by a formal signed contract and in strict accordance with the provisions set out below:

- (i) inviting tender offers to enter into a suitable contract for the required work, using stringent eligibility and evaluation criteria to ensure that contracts are entered into with only those service providers who have the capability and capacity to provide the required goods, services or works; and
  - (ii) entering into a limited number of contracts based on the projected demand and geographic location for such goods, services or works.
  - (iii) the term of a framework agreement, term contract, and “*as and when*” contract shall not exceed a three (3) year term unless the prescripts of section 33 has been followed.
- (b) Framework agreement, term contract, and “*as and when*” contract that are entered into shall not:
  - (i) commit the municipality to any quantum of work beyond the first order or bind the municipality as an employer to make use of such agreements to meet its needs.
- (c) The municipality may approach the market for goods or services, or a combination thereof, whenever it considers that better value in terms of time, cost and the quality which may be obtained.
- (d) Orders
  - (i) shall cover only goods or services, or any combination thereof, falling within the scope of work associated with the agreement which may not be amended for the duration of the contract;
  - (ii) may not be issued after the expiry of the term of the agreement; and
  - (iii) may be completed even if the completion of the order is after the expiry of the term.

- (e) The issuing of orders with a number of framework contracts, term contract, and “*as and when*” contract contractors covering the same scope of work may be made with and without requiring competition amongst contractors. Where competition is required amongst contractors, it shall be conducted in a non-discriminatory manner such that competition is not distorted.
- (f) Competition amongst framework contractors, term contract, and “*as and when*” contract for orders shall take place where:
  - (i) there is no justifiable reason for issuing an order to a particular contractor, such as:
    - (1) the contractor provided the most economical transaction when the financial parameters included in the contract are applied, and has the capacity to deliver;
    - (2) the required goods, services or works cannot technically or economically be separated from another contract or order previously performed by a specific contractor;
    - (3) the service or works being instructed are largely identical to work previously executed by that contractor;
    - (4) the value of the order is less than the threshold for the quotation procedure;
    - (5) the schedule for delivery necessitates that each of the contractors be issued with orders on a continuous basis; or
    - (6) capacity to execute the order:
      - (i) the terms in the agreement are insufficiently precise or complete to cover the particular requirement, e.g. delivery time scales or time estimates to complete the order (productivity); or
      - (ii) a better quality of service can be obtained through a competitive process.

16.7.3 A rotating electronic database linked to the nominated procedure

- (a) shall be designed and implemented around the following principles:
  - (i) calls for expressions of interest for admission to the database in specified fields of services and goods are made at least once a year in suitable media and in a manner that enables a wide spectrum of qualified respondents to respond to the call;
  - (ii) only those respondents who comply with all the employer's requirements for the award of a contract and possess the capability to provide the goods or perform the service or work in a specified field of service or supply are admitted to the database;
  - (iii) all admissions to the database are listed sequentially after an initial ranking in terms of a random number generator;
  - (iv) new admissions are entered at the bottom of the database in the sequence that they are received;
  - (v) a transaction (negotiated contract or invitation to tender) is made with the highest-ranking entry that satisfies the search criteria relating to a field of service or supply; and
  - (vi) after a transaction, all those involved in the transaction, i.e. those who declined an appointment, those invited to submit tenders and those that were awarded a contract, are moved to the bottom of the database.

16.8 Specialized forms of procurement

16.8.1 Acquisition of goods or services or infrastructure including construction work and consultants from other organs of state or public and municipal entities:

- (a) In the case of goods or services or infrastructure including construction works and consultants procured from another organ of state or public and municipal entity (including the Department of Water Affairs, Eskom or any other such entities), such procurement shall be made public, giving details of the nature of the goods or services to be procured and the name/s of the supplier/s.

16.8.2 Acquisition of goods and services under contracts secured by other organs of state in terms of section 239 of the Constitution of the Republic of South Africa and section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act:

- (a) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if:
  - (i) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - (ii) the municipality or entity has no reason to believe that such contract was not validly procured;
  - (iii) there are demonstrable discounts or benefits for the municipality or entity to do so; and
  - (iv) that other organ of state and the provider have consented to such procurement in writing by the accounting officer of that organ of state and the director of the provider.

16.9 Acquisition of goods necessitating special safety arrangements

16.9.1 In terms of regulation 33 of the SCM regulations, goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired in excess of immediate requirements unless there is sound financial justification therefor.

16.9.2 Where the storage of goods, other than water in bulk is justified, the accounting officer may authorize such storage and the decision must be based on sound reason including total cost of ownership and cost advantages for the municipality.

16.10 Public-private partnerships (PPPs)

16.10.1 Part 2, section 120 of the Act applies to the procurement of public-private partnership agreements. Regulation 33 of the supply chain management regulations also applies if the agreement will have multi-year budgetary implications for the municipality within the meaning of that section.

16.11 List of targeted prospective suppliers / requests for interest (RFI)

16.11.1 In terms of Regulation 14 of the supply chain management regulations the director supply chain management may appoint a list of accredited prospective suppliers with respect to the procuring of goods, services and/or construction to be provided to the municipality.

16.11.2 The list of targeted prospective suppliers refers to suppliers who are targeted to do business with the municipality in respect of particular commodities, services or construction works.

16.11.3 The accounting officer shall ensure that a list of targeted prospective suppliers of goods and services is kept, for the procurement requirements of the municipality through written quotations and formal written price quotations (up to and including R200 000,00).

16.11.4 The list of targeted prospective suppliers must be compiled per commodity and per type of service. The listing criteria for targeted prospective suppliers are as set out in clause 16.5 of this policy, along with any additional criteria the municipality may stipulate from time to time as it relates to the relevant commodity or type of service.

16.11.5 This list must be updated at least quarterly to include any additional prospective suppliers and any new commodities or types of service. Prospective suppliers shall, however, be allowed to submit applications for listing at any time.

16.11.6 The provisions of clauses 16.3 to 16.4 shall also apply to suppliers listed on the list of targeted prospective suppliers.

16.12 General preconditions for consideration of written quotations or bids

16.12.1 A written quotation or bid in terms of regulation 16, 17, 18, 19 & 20 of the supply chain management regulations, may not be considered unless the provider who submitted the quotation or bid:

- (a) has furnished that provider's:
  - (i) full name;
  - (ii) identification number or company or other registration number; and
  - (iii) tax reference number and VAT registration number, if any; and
  - (iv) registration number on central database system.
  
- (b) has in terms of clause 16.5 of this policy, a tax status on the central supplier database that reflects compliant and/or the supplier has authorised STLM via a tax pin to confirm with the South African Revenue Services that their tax status is compliant on the time of award; and
  - (i) where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within seven (7) working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by bidder must be verified via CSD or e-filing. Accounting officer should reject a bid/quote submitted if such bidder fails to provide proof of tax compliance status within the timeframe stated above.
  
- (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 (12) 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 (12) months; or
  - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-clause 6.12.1(c)(ii) of this policy is in the service of the state or has been in the service of the state in the previous twelve (12) months.
  - (iv) before making an award, the supply chain management unit must check on central supplier database whether the bidder or any of its directors are not listed/indicated as a person prohibited from doing business with the public sector;
- (d) written quotations in terms of sub-regulation 13(1)(b) of the supply chain management regulations, above R2 000,00 up to R200 000,00 (VAT included) must be obtained from at least three (3) different providers listed on the National Treasury central supplier database;
- (e) Irrespective of the procurement process, the municipality may not make an award above R15 000,00, to a person whose tax matters have not been declared by SARS to be in order.

### 16.13 Petty cash purchases

16.13.1 In terms of regulation 15 of the supply chain management regulations the conditions for the procurement of goods by means of petty cash purchases referred to in sub-clause 16.6.1(a) of this policy, are that minor items are purchased for up to R2 000,00 (VAT included) where it is impractical, impossible or not cost-effective to follow the official procurement process. The conditions for the procurement of goods by means of petty cash are:

- (a) such payments will only be for reimbursement expenditure incurred by officials in terms of the petty cash policy as per attached annexure D;

- (b) no claims will be accepted if to be paid to a supplier directly;
- (c) proof of such expenditures must be provided with each claim;
- (d) the accountant expenditure must record these claims in a separate register and monthly be included in the report referred to in sub-clause 16.13.2 of this policy;
- (e) the executive director financial services will authorize officials from his department to keep petty cash registers and to grant refunds for cash purposes or allow cash advances;
- (f) cash advances can only be granted for out-of-pocket expenses for delegated representatives of the municipality or upon a written quotation but in all instances should a petty cash voucher be approved by the related departmental head;
- (g) officially delegated persons will agree to the deduction from his next remuneration any cash advances of which no proof of expenditure is presented on return from the attended event;
- (h) the practice of breaking up purchases in order to circumvent the formal written price quotation and written price quotation processes is not permissible;
- (i) prospective suppliers used for petty cash transactions do not need to be registered on the central supplier database; and
- (j) rotation of suppliers will not be applicable during petty cash purchases.

16.13.2 A monthly reconciliation report from holder of petty cash must be provided to the executive director financial services, including:

- (a) the total amount of petty cash purchases for that month;

- (b) receipts and appropriate documents for each purchase; and
- (c) be submitted to the executive director financial services by the tenth (10th) working day.

16.14 Formal written price quotations above R2 000,00 (VAT included) up to R30 000,00 (VAT included)

16.14.1 The conditions for the procurement of goods or services through written quotations in terms of regulation 17 of the supply chain management regulations, sub-clauses 16.11 and 16.12 of this policy, are as follows:

- (a) quotations must be obtained from at least three (3) different providers listed on the accredited prospective provider of the National Treasury central supplier database;
- (b) quotations obtained must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
  - (i) See clause 16.7.3 of this policy; and

16.14.2 if it is not possible to obtain at least three (3) quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer.

16.15 Formal written price quotations above R30 000,00 up to R200 000,00 (VAT included)

16.15.1 In terms of regulation 12 of the supply chain management regulations the conditions for the procurement of goods or services through formal written price quotations, are as follows:

- (a) Quotations must be obtained in writing from at least three (3) different providers whose names appear on the list of accredited prospective providers of the National Treasury central supplier database;

- (b) If it is not possible to obtain at least three (3) quotations, the reasons must be recorded and approved by the executive director financial services or an official designated by the executive director financial services; and
- (c) The accounting officer must record the names of the potential providers and their written quotations.

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

16.16.1 In terms of regulation 18 of the SCM regulations the operational procedure for the procurement of goods or services through written quotations or formal written price quotations, are as follows:

- (a) detail specifications for formal written quotations above R30 000,00 must be signed off by the relevant department head for inclusion on the official quotation document before advertisement;
- (b) all requirements in excess of R30 000,00 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of sub-clause 16.14 and clause 23 of this policy, be advertised for at least seven (7) calendar days on the website and all official notice boards of the municipality;
- (c) all quotes received above R30 000,00 (VAT included) are to be placed in the official quotation boxes as designated for each department from time to time. No late quotations will be accepted or opened after closing date and time;
- (d) all acceptable orders above R30 000,00 (VAT included) are subjected to preference points system and be awarded to the bidder of the highest points;
- (e) all acceptable orders above R30 000,00 (VAT included) must be evaluated on a competitive basis, based on compliance with specifications and conditions of contract, ability and capability to deliver the goods and services;

- (i) See clause 16.12.1(b)(i) of this policy;
- (f) the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused, including the application of sub-clause 28.12(b) and clause 38 of this policy;
- (g) the accounting officer or executive director financial services must on a monthly basis be notified in writing of all written quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;
- (h) the executive director financial services must set procedures for the procuring of goods and services through written quotations and formal written price quotations and the proper recordkeeping thereof; and
  - (1) A quotation will not be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the quotation opening and shall be deemed to be the quotation amount.
- (i) record of approved specifications, minutes of evaluation and approval memorandums and emails must be kept for audit purposes.
- (j) Late quotations:
  - (1) A quotation is late if it is not placed in the relevant quotation box by the closing time.
    - (a) Quotations arriving after the specified closing time shall not be considered and where practicable and cost effective shall be returned to the bidder unopened with a letter explaining the circumstances.

- (b) Where it is necessary to open a late quotation to obtain the name and address of the sender, each page of the document shall be stamped "*late quotation*" before the quotation is returned to the bidder.
  - (c) The envelope must be stamped and initialed in like manner and must be retained for record purposes.
- (2) Dealing with quotations if the closing date thereof has been extended:
- (a) Where the closing date of a quotation is extended, quotations already received, will be retained unopened in the quotation box and be duly considered after the expiry of the extended period, unless the bidder cancels it by submitting a later dated quotation before the extended closing date.
- (3) A designated official referred to in clause 16.16.1(e) of this policy, must within ten (10) working days of the end of each month report to the executive director financial services on any approvals given during that month by that official in terms of that sub-clause.

## 16.17 Competitive bids

16.17.1 In terms of regulation 19 of the supply chain management regulations goods or services above a transaction value of R200 000,00 (VAT included) and long-term contracts (contracts exceeding one (1) year) may only be procured through a competitive bidding process, subject to sub-clause 16.2.2 and clause 38 of this policy.

16.17.2 No requirement for goods or services above an estimated transaction value of R200 000,00 (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.

## 16.18 Process for competitive bidding

16.18.1. In terms of regulation 20 of the supply chain management regulations the procedures for a competitive bidding process are established in part 2 of this policy for each of the following stages:

- (a) The compilation of bidding documentation as per clause 17 of this policy;
- (b) The public invitation of bids as per clause 18 and 23 of this policy;
- (c) Site meetings or briefing sessions, if applicable;
- (d) The handling of bids submitted in response to public invitation as per clause 19 of this policy;
- (e) The evaluation of bids as per clause 28 of this policy;
- (f) The award of contracts as per clause 29 of this policy;
- (g) The administration of contracts; and
- (h) Proper record keeping.

## 17. **BID DOCUMENTATION FOR COMPETITIVE BIDS**

17.1 If the bid relates to Infrastructure irrespective of professional services or construction works, excluding purchase of material and equipment, the supply chain management policy for infrastructure procurement (Annexure B) applies that is issued interims of Circular 77 that is aligned to National Treasuries Standard for Infrastructure Procurement and Delivery Management (SIPDM). These are:

- (a) SANS 1084 parts 1-4, not including the MBD forms or the General Conditions of Contract (GCC) of National Treasury, but only those permitted in terms of the SIPDM, with minimal amendments for e.g. the CSD requirements.

17.2 In terms of regulation 21 of the supply chain management regulations the criteria to which bid documentation in terms of goods and service for consulting services, consisting of different parts or items for a competitive bidding process must comply, and must clearly –

- (a) take into account:
  - (i) the general conditions of contract (GCC) of National Treasury and for infrastructure refer to the supply chain management policy for Infrastructure Circular 77 (Annexure B);
  - (ii) any special conditions of contract if specified;
  - (iii) any Treasury circulars and guidelines on compilation of bid documentation;
  - (iv) the requirements of the Construction Industry Development Board (CIDB) in relation to Infrastructure as per definition in clause 1 of this policy;
  - (v) registration on National Treasury central supplier database;
  - (vi) terms and conditions of the contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances site inspections are compulsory;
  - (vii) an appropriate contract and/or delivery period should be specified for all contracts and orders; and
  - (viii) draft contract included.
- (b) include the preference points system to be used as contemplated in the Preferential Procurement Regulations, 2017, evaluation and adjudication criteria, including any criteria required by the applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost-effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in sub-regulation 4(1) of the Preferential Procurement Regulations, 2017;

- (e) in terms of sub-regulation 21(d) of the supply chain management regulations, if the value of the transaction is expected to exceed R10-million (VAT included), require bidders to furnish the following documents:
  - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements:
    - (a) for the past three (3) years; or
    - (b) since their establishment if established during the past three (3) 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 thirty (30) days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five (5) 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 an imported component or sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic;
- (f) in terms of sub-section 163(2)(b) of the Act and supply chain management sub-regulation 21(d)(iv) where the acquisition in question is likely to involve an imported component or be sourced from outside the Republic, which will be subject to foreign exchange rate adjustments, specify that the contractor take out a forward exchange contract in order to fix the Rand based price as soon as possible after the award.

17.2.2 The bid documentation must in terms of regulation 13, 21 and 35 -

- (a) require bidders to disclose:
  - (i) if the bidder 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

- (ii) whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-clause 16.2.1(c)(iii) is in the service of the state or has been in the service of the state in the previous twelve (12) months;
- (b) require bidders to complete, sign and submit, together with their bid, a certificate of independent bid determination;
- (c) stipulate that if it is found that the certificate of independent bid determination is not true and complete in every respect, that the bid may be rejected/declared n specific goal for which points may be awarded in on-responsive;
- (d) for consultant services require bidders to furnish the municipality with particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last five years;
- (e) for consultant services ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by the municipality, shall vest in the municipality;
- (f) state that in terms of supply chain management sub-regulation 14(1)(b) and MFMA Circular 81, the responsibility for registration and verification on the municipality's supplier and National Treasury's central supplier databases rests solely with the bidder; and
- (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; and

17.3 In instances where Steve Tshwete Local Municipality decide to apply pre-qualifying criteria in terms of regulations 3, 4, 6 & 7 to advance designated groups on the basis of B-BBEE, the tender must be advertised with specific tendering conditions that only one (1) or more of the following tenderers may respond –

- (a) a tenderer having a stipulated minimum B-BBEE status level of contributor;

- (b) an exempted micro enterprise (EME) or qualifying small business enterprise (QSE); and
- (c) a tenderer sub-contracting a percentage of the contract value (including all taxes) based on Table 1 of this policy to
  - (i) an EME or QSE which is at least 51% owned by black people;
  - (ii) an EME or QSE which is at least 51% owned by black people who are youth;
  - (iii) an EME or QSE which is at least 51% owned by black people who are women;
  - (iv) an EME or QSE which is at least 51% owned by black people with disabilities;
  - (v) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
  - (vi) a cooperative which is at least 51% owned by black people;
  - (vii) an EME or QSE which is at least 51% owned by black people who are military veterans; and
  - (viii) an EME or QSE.

17.4 In terms of sub-section 8(5) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) a tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

17.5 If feasible to sub-contract for a contract above R30-million, in terms of the sub-section 8(2) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), the tender must be advertised to advance designated groups with specific tender conditions that the successful tenderer must sub-contract a minimum of 30% of the value of the contract to groups stated in sub-clause 17.3(c)(i) to 17.3(c)(viii) of this policy.

17.6 As part of socio-economic development, the municipality could use a pre-condition for contracts below R30-million, that the tenderer must sub-contract a percentage of the value of the contract based on Table 1 in this policy, to groups stated in sub-clause 17.3(c)(i) to 17.3(c)(viii) of this policy.

17.7 All those with ability to deliver the required service are required to demonstrate the element of sub-contracting to the categorized groups at a tendering stage as stipulated in sub-clause 17.3(c)(i) to 17.3(c)(viii) of this policy.

17.8 Table 1: Sub-contracting scale

<b>Total Rand Value</b>	<b>Contractor as a % of Total Rand Value</b>
Use total contract amount for contracts Contract Rands R3-million, but less than R5-million	18% of the contract rand value
R5-million, but less than R10-million	20% of the contract rand value
R10-million, but less than R15-million	22% of the contract rand value
R15-million, but less than R20-million	24% of the contract rand value
R20-million, but less than R25-million	26% of the contract rand value
R25-million, but less than R30-million	28% of the contract rand value
R30-million and above	30% of the contract rand value (compulsory, if feasible)

17.9 Additional requirements for sub-contracting

- (a) The contractors as defined in clause 1 of this policy must:
- (i) break areas of supply for contracts down into manageable sectors (on a local basis);
  - (ii) ensure that contracts involving more than one product or service can be separately adjudicated and handled by different contractors;
  - (iii) outsource a percentage of the value of a contract based on Table 1 for delivery services in order to empower small, medium and micro enterprises;
  - (iv) break down prices into components in order to establish the costs of distribution and delivery;
  - (v) categorize products and services in terms of their complexity, in order to allow small, medium and micro enterprises to access the sub-contracts through a competitive procurement process by tendering for simpler contracts which involve lower risks; and
  - (vi) award contracts for quantities that can be handled by small, medium and micro enterprises whilst remaining cost effective to the State;
- (b) sub-contractors, suppliers and service providers are required to construct, supply or provide a service in accordance with a technical specification;

- (c) sub-contractors are required to execute their contracts in accordance with a human resource specification which defines and sets out the goals for targeted small, medium and micro enterprise participation in the performance of the contract in such a manner that it can be quantified, measured, verified and audited;
  - (d) main contractors and sub-contractors as defined in clause 1 of this policy, must set out human resource specifications how the contractor's firms will meet contract participation goals in order to comply with the requirements of the contract; and
  - (e) the main contractor has to set out the measures which the municipality as the client body (employer) has at its disposal to remedy or penalize non-compliance.
  - (f) in terms of sub-section 12(3) of the PPPFA, not after awarded a contract sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is sub-contracted to an EME that has the capability and ability to execute the sub-contract.
- 17.10 Contractors' participation goals must include the net value of goods, services and works for the supply of which the firm contracts to engage targeted small, medium and micro enterprises in the performance of the contract, expressed as a percentage of the tender value of the contract.
- 17.11 Contractor shall meet their participation goal obligations by:
- (a) obtaining manufactured articles from manufacturers who are targeted small, medium and micro enterprises;
  - (b) obtaining supplies and materials from suppliers who are targeted small, medium and micro enterprises; and
  - (c) engaging professional, technical or managerial service providers who are targeted small, medium and micro enterprises.

- 17.12 Unfair conditions of sub-contracting can be readily dealt with by denying prime contractors' credits towards their participation goal obligations should they not enter into written sub-contracts which are free of unfair conditions with targeted enterprises.
- 17.13 For infrastructure related projects refer to Practice Note 7 (PN 7) of CIDB that is adopted as part of the municipality's Master SCM Policy strategic approach and as an official guidance to the municipality to support contractors' development.
- 17.14 It is the responsibility of contractors, professional service providers/consultants, vendors and suppliers to implement progressive efforts to attain compliance with sub-clause 17.3(c)(i to viii) of this policy.
- 17.15 Any firm that does not meet the thresholds of sub-clause 17.3(c)(i to viii) of this policy and numerical goals must demonstrate why meeting the goals was not feasible.
- (a) Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will enable the municipality to make a compliance determination.
- 17.16 All service providers submitting bids or proposals to the municipality are required to certify that they comply with the requirements of sub-clause 17.3 of this policy.
- 17.17 Absent evidence to the contrary, the municipality considers contractors, professional service providers/consultants, vendors and suppliers to be in compliance with sub-clause 17.3 of this policy if they comply with the minimum thresholds and numerical goals set out in table 1.
- 17.18 The municipality has adopted the scale in Table 1 for sub-contracting to local sub-contractors as defined in sub-clause 17.3(c)(i to viii) of this policy that is to be used on all contracts for services required for goods and services or any combination thereof including construction works, service contracts and professional service contracts that contain a labour component.

- 17.19 The municipality must make available the list of all suppliers registered on a database approved by National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in sub-clause 17.3(c)(i to viii) of this policy from which the tenderer must select a supplier through an auditable procurement process.
- 17.20 A fee as determined from time to time shall be raised for bid forms, plans, specifications, samples and any other bid documentation, depending on the nature, magnitude and value of technical information or samples provided by the municipality for tenders in excess of R200 000,00 (VAT included).
- 17.21 When determining transaction values, a requirement for goods and services or any combination thereof or consulting services of different parts or items including construction works must as far as possible be treated and dealt with as a single transaction.

## 18. PUBLIC INVITATION FOR COMPETITIVE BIDS

- 18.1. In terms of sub-regulation 22(1) and 22(4) the procedure for the invitation of competitive bids, are 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, i-Tender website of CIDB or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); *and e-tender*;
  - (b) in terms of MFMA regulation, sub-regulation 22 (4), where bids are requested in electronic format, such bids must be supplemented by sealed hard copies;
  - (c) the information contained in a public advertisement and or notice, must include:
    - (i) the title of the proposed contract and the bid or contract reference number;
    - (ii) a brief of intended scope of service or work or equipment required;
    - (iii) such particulars of the contract as the municipality deems fit;
    - (iv) the place where the bid documentation is available for collection and the times between which bid documentation may be collected;

- (v) the non-refundable bid fee payable, if any;
- (vi) the closure date for the submission of bids, which may not be less than thirty (30) calendar days in the case of transactions over R10-million (VAT included), or which are of a long-term nature, or fourteen (14) calendar days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-clause 18.2 of this policy;
- (vii) a statement that bids may only be submitted on the bid documentation provided by the municipality;
- (viii) date, time and venue of any proposed site meetings if required or mandatory briefing sessions. (If bidder did not attend his bid will not be considered);
- (ix) the required CIDB contractor category and grading designation for construction procurement see SCM policy for infrastructure Annexure B;
- (x) a statement that bids will only be considered if it was deposited into the bid box indicated in the bid invitation if no electronic bids were invited;
- (xi) the period for which bids are to be valid and binding must be indicated in the bid invitation;
- (xii) the public advertisement and or notice shall state that all bids must be submitted in a sealed envelope (if required) on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted;
- (xiii) an indication as when stipulated minimum threshold for local production and content is applicable; and
- (xiv) an indication as and when only local bidders will be considered if applicable.

18.2. The accounting officer may determine a closure date for the submission of bids which is less than the thirty (30) or fourteen (14) calendar 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.

18.3. Pre-qualifying criteria must be stipulated in the advertisement.

18.4. *Provisioning of tax compliance status pin* and duration of bid validity period must be stipulated in the advertisement.

18.5. Amendments before the closing date

18.5.1 The municipality is entitled to amend any bid condition, validity period, specification or plan, or extend the closing date of such a bid or quotation before the closing, provided that such amendments or extensions are advertised and/or that all bidders whom bid documents have been issued, are advised in writing per e-mail or by fax of such amendments or of the extension clearly reflecting the new closing date and time.

18.5.2 For this reason, officials and authorized service providers issuing bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued.

19. **PROCEDURES FOR ISSUING, SUBMISSION, HANDLING, OPENING & RECORDING OF BIDS**

19.1 The procedures for the issuing of bids in terms of supply chain management regulation 20 are:

- (a) On completion of the bids specification process the municipality shall publicly invite bids.
- (b) Bid invitation shall be by notice published in the media and/or, in terms of sub-regulation 22(4) any electronic platform that may be applicable or suitable.
- (c) The notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the accounting officer.
- (d) The notice may require payment of a non-refundable bid fee by bidders wanting to collect bid documents. This bid fee shall be determined by the council from time to time.
- (e) Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain confidential for the duration of the bid period.

19.2 The procedures for the submission of bids in terms of supply chain management regulation 20 are:

- (a) At the specified closing time on the closing date the applicable bids box shall be closed.

- (b) Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.
- (c) Details of prospective bidders must include the full name of the person, drawing documents, a contact person, a contact telephone and fax number and a postal and email address.
- (d) Each bidder must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.
- (e) The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope.
- (f) The envelope may not contain documents relating to any bid other than that shown on the envelope.
- (g) Only sealed bids will be accepted.
- (i) The municipality may accept tenders where envelopes have been inadvertently marked with the name of the bidder.
- (h) The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
- (i) Postal bids will not be accepted for consideration, nor shall proof of posting or proof of delivery be accepted as proof that bids were delivered if received after the closing date of bids/quotations.
- (j) No bids forwarded by telegram, facsimile or similar apparatus shall be considered unless stated otherwise in tender document as indicated in sub-clause 18.1(b) of this policy. In terms of supply chain management regulations, sub-regulation 22(4), where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

- (k) Electronic bids will not be accepted, unless indicated as per sub-section 18.1(b) of this policy. In terms of supply chain management regulations, sub-regulation 22 (4), where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.
- (l) The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- (m) No person may amend or tamper with any bids after their submission.

19.3 Bids clarification meetings / site inspections

- (a) Will commence as determined in the advertisement;
- (b) Clarification meeting/site inspections in respect of bids exceeding R200 000,00 will be compulsory;
- (c) If clarification meeting/site inspections are to be held, full details must be included in the bid notice, including whether or not the clarification meeting/site inspections site is compulsory;
- (d) Where clarification meeting/site inspections are made compulsory, the date for the site inspection/clarification meeting shall be at least seven (7) days after the bid has been advertised;
- (e) If a bidder requests any additional information or clarification of vague points given, after the clarification meeting/site inspection, such additional information will be made available to all bidders; and
- (f) Validity period (refer to clause 22).

19.4 The procedures for the handling, opening and recording of all bids in terms of supply chain management regulation 23 are as follows:

- (a) The executive director financial services or delegated person will ensure that the following procedures will be followed and recorded.

(i) Handling and opening of bids

- (1) must be opened only in public;
- (2) must be opened at the same time and as soon as possible after the period for the submission of bids has expired;
- (3) Bids must be opened on the same date just after the closing time of bids;
- (4) the names of the bidders who submitted, the bids must be read out with the total bidding price in words;
- (5) Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained;
- (6) If the bid was in the correct bid box it will be read out. If the bid was found to be in the incorrect bid box, it will be redirected, provided that the applicable bid either closed on the same day at the same time, or are still open;
- (7) No information, except the provisions in sub-clause 19.4(a)(ii) 3) of this policy, relating to the bids should be disclosed to bidders or other persons until the successful bidder is notified of the award;
- (8) If the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box; and
- (9) The municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box, besides the conditions set out in sub-clauses 19.2(h) and 19.4(a)(i) 6) of this policy.

(ii) Recording of bids

- (1) Record all bids received in a register; and
  - (a) keep attendance register for bidders that attended the opening.
- (2) The municipality must:
  - (a) record in a register all bids received in time;

- (b) make the register available for public inspection;
    - (c) publish the entries in the register and the bid results on the website.
  - (3) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be made available on request.
  - (4) Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bid either closed on the same day at the same time or are still open (in which case the municipality disclaims any responsibility for seeing that the bid are in fact lodged in the correct bid box), besides the condition set out in sub-clauses 19.2(h) and 19.4(a)(i) 6) of this policy.
- (iii) Composition of opening committee
- (1) The opening of tenders committee will consist of:
    - (a) Senior official supply chain management
    - (b) Relevant responsible official from directorate
    - (c) Official of records office
    - (d) Official of legal and admin (responsible for tender documents)
    - (e) No councilor of any municipality may be present at the opening of bids.
- (iv) Stamping of bids and reading out of names
- (1) As each bid is opened the name of the bidder and the amount, if practical and applicable, shall be read out.

- (a) Bids opened shall be checked for compliance with mandatory documents.
  - (b) An official shall date-stamp and endorse with the opening official's signature the bids and all enclosures related to prices, delivery periods and special conditions.
  - (c) Bids shall be numbered in the sequence in which they have been opened and the words "*and last*" shall be endorsed on the last bid.
  - (d) In instances where only one (1) bid has been received the words "*and only*" shall be endorsed on such bid.
  - (e) Where prices have not been inserted in all relevant spaces on the form and such items have not been deleted by bidders, such spaces shall be stamped "*no price*" by the employee who opens the bids; and
  - (f) The name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose.
- (v) Late bids
- (1) A bid is late if it is not placed in the relevant bid box by the closing time.
    - (a) Bids arriving after the specified closing time shall not be considered and where practicable and cost effective shall be returned to the bidder unopened with a letter explaining the circumstances.
    - (b) Where it is necessary to open a late bid to obtain the name and address of the sender, each page of the document shall be stamped "*late bid*" before the bid is returned to the bidder.

- (c) The envelope must be stamped and initialed in like manner and must be retained for record purposes.
- (vi) Dealing with bids if the closing date thereof has been extended:
  - (a) Where the closing date of a bid is extended, bids already received, will be retained unopened in the bid box and be duly considered after the expiry of the extended period, unless the bidder cancels it by submitting a later dated bid before the extended closing date.

**20. NEGOTIATIONS WITH PREFERRED BIDDERS & COMMUNICATIONS WITH PROSPECTIVE PROCESS & BIDDERS**

- 20.1 The accounting officer may in terms of regulation 24, subject to supply chain management regulations, sub-regulation 11(2) and clause 16.2 of this policy, 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/quotation as submitted; and
  - (d) Does not lead to a lower price in respect of the sale of land/goods.
- 20.2 Minutes of such negotiations must be kept for record purposes and as far as possible be made part of the final contract.
- 20.3 No unauthorized communication with bidders and perspective providers:
- (a) Where bids and/or quotations have been submitted to the municipality, a bidder may not communicate with any councilor or official on any matter regarding his/her bid, quotation or offer other than a notice of withdrawal.

- (b) No municipal employee may communicate with a bidder or any other party who has an interest in a bid or quotation during the period between the closing date for the receipt of the bid and the date of notification to successful bidder of acceptance of his/her bid, quotation or offer except as provided for in sub-clause 20.4 of this policy. Every such case of unauthorized communication shall forthwith be reported to the supply chain management as well as the chairperson of bid adjudication committee (BAC).
  - (c) A bid or quotation in respect of which unauthorized communication has occurred may be disqualified.
- 20.4 The accounting officer may authorize an employee, in writing, to communicate with a bidder during the period mentioned in sub-clause 20.3 of this policy for the purpose of:
  - (a) Obtaining an explaining and verification of declaration made in the bid/quotation response.
  - (b) Confirming technical particulars and the compliance thereof with specifications.
  - (c) Clarifying delivery times/quantities.
  - (d) Extending the validity period of a bid (clause 23.1.7 of this policy).
  - (e) Clarifying any other commercial aspect.
  - (f) For the submission of substantiating documents.
- 20.5 Where authority has been granted to communicate with bidders in terms of sub-clause 20.4 of this policy it should be clearly stated in the submission to the bid adjudication committee the nature of the communication as well as by whom such authority to communicate has been granted.
- 20.6 A bid will not be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening and shall be deemed to be the bid amount.

## 21. TWO-STAGE BIDDING PROCESS (PRE-QUALIFICATION)

- 21.1 A two-stage bidding process is allowed in terms of regulation 25, for:
- 21.1.1 Large complex projects;
  - 21.1.2 Projects where it may be undesirable to prepare complete detailed technical specifications; or
  - 21.1.3 Long term projects with a duration period exceeding three (3) years.
- 21.2 In a two-stage (prequalification) bidding process, bidders are first invited to *pre-qualify* in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.
- 21.3 In the second stage, all bidders that qualify in terms of the *predetermined criteria* will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
- 21.4 The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids, including compliance with clause 18 of this policy.
- 21.5 Two-envelope system:
- (a) A two-envelope system will follow the same process as normal bids in terms of supply chain management regulation 20, 21, 22 and 23 and SCM sub-regulation 27(2). However, it differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated in terms of supply chain management sub-regulation 27(2) and clause 27 of this policy.
  - (b) Opening of bids where a two envelope system (consisting of a technical proposal and a financial proposal) is followed:
    - (i) If a two-envelope system is followed, only the technical proposal will be opened at the bid opening.

- (ii) The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature and be retained by him/her for safekeeping.
- (iii) When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses 19.4 of this policy.
- (iv) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
- (v) Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the bid adjudication committee in this regard (sub-clauses 16.5.4, 17.2.2(c) and clause 27 of this policy refers).
- (vi) After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.
- (vii) Where an e-Procurement system is used, the names of the bidders that have submitted proposals shall be published on the municipality's official website as soon as practical after the closing time.
- (viii) When the financial offers/bids are opened they shall be published on the municipality's official website as soon as practical thereafter, and all bidders shall be notified accordingly.

## 22. VALIDITY PERIODS

- 22.1 The period for which bids/quotations are to remain valid and binding must be indicated in the bid/quotation documents as per supply chain management regulation 22.
- 22.2 In terms of supply chain management regulation, sub-regulation 22(1)(b)

22.2.1 The closure date for the submission of bids/quotations, which may not be less than thirty (30) days in the case of transactions over R10-million (VAT included), or which are of a long-term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to the supply chain management regulation (2).

22.3 The bid/quotation offer validity period provided for in the bid/quotation data shall generally not exceed 12 weeks (90 days).

## 23. EXTENSION OF VALIDITY PERIODS

23.1 Extensions include goods and services as well as infrastructure.

23.1.1 Extensions must be done prior to the expiry date of the bid validity period.

23.1.2 When validity lapses the contractual obligation that the bidder accepted on signing the relevant bid documentation falls away, therefore when a bid expires there is nothing to extend.

23.1.3 The expired bid cannot be evaluated further, and it must be cancelled and re-advertised, when applicable.

23.1.4 Reasons for extensions of bid must be investigated.

23.1.5 Extensions must be granted based on good reasons and must be approved by the accounting officer:

- (a) can extend the minimum bids/quotations period by at least seven (7) days, not exceeding sixty (60) calendar days.
- (b) An extension of validity must be requested in writing from all bidders before the expiry date.
- (c) All bidders must be notified in writing and submit their intentions to abide by the terms and conditions and participate further in the bid. Only those bidders who agree to the extension will be evaluated.

- 23.1.6 Once an extension is granted, proper planning has to be done to ensure that the process of evaluation and awarding of bids is carried out before the expiry of a bid validity period.
- 23.1.7 Should the validity period expire on a Sunday, Saturday or public holiday, the bid must remain valid and open for acceptance until the closure on the following working day.

## 24. **EXTENSION OF CONTRACTS PERIOD**

- 24.1 A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended in terms of the Municipal Finance Management Act, Act No. 56 of 2003, section 116(3) (a) & (b) by the parties, but only after -
- (a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
  - (b) the local community -
    - (i) has been given reasonable notice of the intention to amend the contract or agreement; and
    - (ii) has been invited to submit representations to the municipality or municipal entity.
- 24.2 Should a contract be extended in terms of this section, the process must be concluded before the expiry date of the contract.

## 25. **SAMPLES**

- 25.1 Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents by no later than the closing time of the bid.
- 25.2 Bids may not be included in parcels containing samples.
- 25.3 If samples are not submitted as required in the bid documents, then the bid concerned may be declared invalid.

- 25.4 Samples shall be supplied by a bidder at his/her own expense and risk. The municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.
- 25.5 If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

## 26. **COMMITTEE SYSTEM FOR COMPETITIVE BIDS**

- 26.1 In terms of the Act section 119, the accounting officer and all other officials of the Municipality involved in the implementation of the supply chain management policy of the municipality must meet the prescribed competency levels. This includes the supply chain management policy for infrastructure procurement. The accounting officer must for the purposes of subsection (1) of the Act, provide resources or opportunities for the training of officials referred to in that subsection to meet the prescribed competency levels for all the bid committees.
- 26.2 A committee system, for competitive bids, including for infrastructure, is hereby established in terms of regulation 26, consisting of the following committees for each transaction or cluster of transactions as the accounting officer may determine:
- (a) a bid specification committee;
  - (b) a bid evaluation committee; and
  - (c) a bid adjudication committee.
- 26.3 The accounting officer will appoint the members of each committee, taking into account section 117 of the Act.
- 26.4 No councillor of any municipality may be a member of a municipal bid specification committee or any other committee evaluating or approving tenders, quotations.
- 26.5 The committee system in terms of this policy will consist of and must be consistent with:
- (a) Clauses 27, 28 and 29 of this policy; and

(b) Any other applicable legislation.

26.6 The accounting officer may apply the committee system to formal written price quotations.

## 27. **BID SPECIFICATION COMMITTEES**

27.1 The bid specification committee must compile the specifications for each procurement of goods or services, depending on the department involved in Steve Tshwete Local Municipality *and ensure that*:

- (a) the draft tender document meets the supply chain management and contract management requirements;
- (b) the functionality points meet the minimum requirements as prescribed;
- (c) the applicable pre-qualification criteria are included in the draft tender document;
- (d) correct preference point system is utilized;
- (e) the advert meets the minimum requirements;
- (f) local content, where applicable has been included in tender document as well as advert;
- (g) BBBEE status level certificate is included;
- (h) sub-contracting as a pre-condition of tender for procurement above R30-million, where feasible, has been included; and
- (i) determine briefing meeting and closure for submission of bids.

27.2 Specifications for bidding

- (a) specifications may only be completed and advertised if sufficient budgetary provision was approved on the annual budget.
- (b) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

- (c) must take account of any accepted standards, such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (d) where possible, must be described in terms of performance required rather than in terms of descriptive characteristics for design, this has to include operation and maintenance plans where applicable;
- (e) 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;
- (f) 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*”;
- (g) must be approved by the relevant senior manager prior to submission to the specification committee.
- (h) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations, 2017 and as set out in this policy:
  - (i) 80/20 preference point system for the acquisition of goods or services for Rand value *equal to or above* R30 000,00 up to R50 million; and
  - (ii) 90/10 preference point system for acquisition of goods or services for Rand value above R50-million.

27.3 In terms of supply chain management sub-regulation 27(3), the composition of the bid specification committee must take regard of the following:

- (a) a bid specification committee must be composed of one or more officials of the municipality, preferably the executive director responsible or delegated person for the function involved; and;
  - (i) may, when appropriate, include external specialist advisors; and
  - (ii) a quorum shall be 50% plus one members;
- (b) the appointments will be done by the accounting officer of the members, taking into account section 117, of the Act; and
  - (i) the appointed members must meet the prescribed competency levels
- (c) no councillor of any municipality may be a member of a municipal bid specification committee;
- (d) participation in the supply chain management system of persons who are not officials of the municipality or municipal entity, subject to section 117 of the Act.;
- (e) 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;
- (f) bid specification committee meetings must be conducted in accordance with the applicable rules in order regulating the conduct of meetings as determine in this policy; and
- (g) a competent person shall draft and sign the report for submission to the chair of the specification committee to be submitted for approval.

## 28. **BID EVALUATION COMMITTEES**

- 28.1 A bid evaluation committee must evaluate bids in accordance with -
- (a) the qualification criteria and specifications for a specific procurement;
  - (b) the points system as per clause 27.2(h) of this policy; and

- (c) SCM sub-regulation 27(2)(f) and as prescribed in terms of the Preferential Procurement Policy Framework Act;
- (d) each bidder's ability to execute the contract without jeopardizing quality
  - (i) once the tender achieves the prescribed minimum qualifying score for functionality and quality of the bidder's ability to execute the contract, and the stipulated minimum threshold for local production and content has been evaluated, if applicable, then it must be evaluated on:
    - (1) the preference point system; and
    - (2) price;
  - (ii) and if a tender fails to achieve the stipulated minimum threshold for local production and content the bid is disqualified;
- (e) in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.

28.2 In the case of infrastructure projects (refer to Annexure B), a competent person shall draw up and sign a report verifying the evaluation qualification criteria and specifications including the algorithm calculations been correct, for a specific procurement and submit to the chair of the committee for approval.

28.3 The chair of the committee will submit the approved report to the adjudication committee for consideration and recommendation regarding the award of the bid or any other related matter. Bids will only qualify after functionality, quality, and local production and content as a pre-qualification criteria was assessed;

- (a) this is applicable for all bids and quotations submitted to Steve Tshwete Local Municipality.

28.4 In terms of supply chain management sub-regulation 28(2), the bid evaluation committee must as far as possible be composed of -

- (a) officials, preferably the manager responsible or the delegated person from relevant departments that must meet the prescribed competency levels, for the function involved;

- (b) at least one supply chain management practitioner of the municipality in terms of this policy;
  - (c) external specialist advisors, when appropriate; and
  - (d) a quorum shall be 50% plus one members.
- 28.5 The appointment of the members of the bid evaluation committee will be done by the accounting officer, taking into account section 117 of the Act.
- 28.6 The appointed members of the bid evaluation committee must meet the prescribed competency levels.
- 28.7 No councillor of any municipality may be a member of a municipal bid evaluation committee.
- 28.8 Participation in the supply chain management committee system of persons who are not officials of the municipality or municipal entity, is subject to section 117 of the Act.
- 28.9 No person, advisor or corporate entity involved with the bid evaluation committee, or director of such a corporate entity, may bid for any resulting contracts.
- 28.10 Bid evaluation committee meetings must:
- (a) be conducted in accordance with the applicable rules of order regulating the conduct of meetings as required by the chair of the committee; and
  - (b) only evaluate what was asked in procurement documents in terms of clause 28.12 (a to i) of this policy.
- 28.11 Where consultants or agents were tasked with the invitation of bids the responsible consultant or agent shall carry out a preliminary evaluation of all valid bids received and shall submit a signed bid evaluation report to the bid evaluation committee for consideration and approval by the chair that can accept it or refer the report back.
- 28.12 Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:
- (a) whose bid was endorsed as being invalid by the responsible official at the bid opening;

- (b) whose bid does not comply with the provisions for combating abuse of this policy in terms of supply chain management regulation 38;
- (c) whose bid does not comply with the general conditions applicable to bids and quotations of this policy;
- (d) whose bid is not in compliance with the specification;
- (e) whose bid is not in compliance with the terms and conditions of the bid documentation;
- (f) whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this policy;
- (g) who is not registered and verified on the municipality's supplier database.
  - (i) in this regard bid documentation shall state that the responsibility for registration and verification rests solely with the bidder; and
- (h) who, in the case of infrastructure acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors as required in the supply chain management policy for infrastructure procurement and delivery management (Annexure B); or
  - (i) who fails to comply with any applicable Bargaining Council agreements.

28.13 The bid evaluation committee shall, having considered the responsible agent's report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the bid adjudication committee for award.

28.14 Bids shall be evaluated according to the following as applicable as well as the items in sub-clauses 28.12(a-i) of this policy:

- (a) bid price (corrected if applicable and brought to a comparative level where necessary);
- (b) the unit rates and prices;

- (c) the bidder's ability to fulfil its obligations in terms of the bid documents, any qualifications to the bid;
- (d) the bid ranking obtained in respect of preferential procurement as required by this policy;
- (e) the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable;
- (f) any other criteria specified in the bid documents; and
- (g) the bidder's BEE status level:
  - (i) a tenderer must submit proof of its B-BBEE status level of contributor. A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but scores 0 points for B-BBEE;
  - (ii) a tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends sub-contracting more than 30% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended sub-contractor is an EME that has the capability to execute the sub-contract;

28.15 The points scored must be rounded off to the nearest two (2) decimal places.

28.16 If the price offered by the tenderer scoring the highest points is not market-related, the organ of state may not award the contract to that tenderer.

28.17 The municipality in terms of this policy may –

- (a) negotiate a lower market-related price with the tenderer scoring the highest points or cancel the tender;
- (b) if the tenderer does not agree to the lower market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

- (c) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- 28.18 If a market-related price is not agreed as envisaged in sub-clause 28.17(a) of this policy, the municipality must cancel the tender.
- 28.19 Criteria for breaking deadlock in scoring in terms of regulation 10 of the PPPFA Regulations, 2017:
  - (a) if two (2) or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for B-BBEE;
  - (b) if functionality is part of the evaluation process and two (2) or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be awarded to the tenderer that scored the highest points for functionality; and
  - (c) if two (2) or more tenderers score equal points in all respects, the award must be decided by the drawing of lots.
- 28.20 The supply chain management delegated official responsible for attending of BEC meetings must verify that above SCM compliance check is per bid evaluation committee checklist and sign off the BEC checklist with the chairperson of the committee.
- 28.21 No bidder may be recommended for an award unless the bidder has demonstrated that it complies with qualification criteria required to fulfill its obligations in terms of the bid and or quotation specification criteria of the applicable bid or quotation.
- 28.22 Additional information or clarification of bids may be called for if required but only in writing as per sub-clause 20.4 of this policy.
- 28.23 The municipality shall not be bound to consider alternative bids.
- 28.24 If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report.

- 28.25 The bidder obtaining the highest number of points should be recommended for acceptance unless there are reasonable and justifiable grounds to recommend another bidder in accordance with section 2(1)(f) of the Act and in terms of regulation 11 of the PPPFA Regulations, 2017.
- 28.26 All disclosures of a conflict of interest shall be considered by the bid evaluation committee and shall be reported to the bid adjudication committee. As such, no person with conflict of interest as per sub-clause 17.2(c) of this policy, may take part and has to excuse themselves from the committee.
- 28.27 Bids may only be recommended for award if it was confirmed that suffice budgetary provision exists for the acquisition of the goods, infrastructure projects and/or services.

## 29. **BID ADJUDICATION COMMITTEES**

- 29.1 Composition of bid adjudication committee
- (a) must, in terms of SCM sub-regulation 29(2) and clauses
  - (b) 7.4 and 7.5 of this policy, be composed of -
    - (i) at least four (4) senior managers of the municipality; and
    - (ii) when appropriate, external specialist advisors see supply chain management sub-regulation 29(4).
- 29.2 The appointment of the members of the bid adjudication committee will be done by the accounting officer, taking into account section 117, of the Act; and
- (a) appointed members must meet the prescribed competency levels.
- 29.3 The accounting officer must appoint the chairperson of the bid adjudication committee and; if the chairperson is absent from a meeting, the person acting as the executive director financial services has to stand in as chairperson of 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 Function of bid adjudication committee:

- 29.5.1 The bid adjudication committee in terms of SCM regulation 29 must
- (a) consider the report and recommendations of the bid evaluation committee; and 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.
- 29.6 A quorum for the adjudication committee shall be 50% plus one members.
- 29.7 In the event of an equality of votes the chairperson shall have the casting vote over and above a deliberate vote.
- 29.8 The chairperson of the bid evaluation committee must be part of the bid adjudication committee as another official.
- 29.9 No tender may be awarded:
- (a) if the tenderer's tax matters have not been declared by SARS to be in order;
  - (b) to a person who is in the service of the state;
  - (c) to a person of which any director, manager, principal shareholder or stakeholder is a person in the service of state;
  - (d) to an advisor or consultant contracted with the municipality;
  - (e) if the tenderer did not furnish the municipality with his full name, identification number or company any other registration number or tax reference number and VAT registration number if any;

- (f) to a tenderer who has failed to declare whether he/she has been in the service of the state in the previous twelve (12) months or if not a natural person, any of its directors, managers, principal, shareholders, or stakeholders has been in the service of the state or whether a spouse, child or parent of the tenderer or directors, managers, principal, shareholder, has been in the service of the state in the previous twelve (12) months;
  - (g) to a bidder who is on the National Treasury registered list for forbidden bidders;
  - (h) to a bidder whose municipal rates and taxes are in arrears for more than three (3) months;
  - (i) to a bidder or any of its directors has committed a corrupt or fraudulent act;
  - (j) to a bidder that has been convicted for fraudulent or corrupt doing the past five (5) years.
- 29.10 If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid:
- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
  - (ii) notify the accounting officer.
- 29.11 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 section 114 of the Act and sub-regulation 29.5(b);
  - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration; and
  - (iii) 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.
- 29.12 The accounting officer must comply with section 114 of the Act within ten (10) working days

- (a) If a tender other than the one recommended in the normal course of implementing the supply chain management policy is approved, the accounting officer must, in writing, notify the Auditor-General, the relevant Provincial Treasury and the National Treasury of the reason for deviating from such recommendation.
- (b) Subsection (a) does not apply if a different tender was approved in order to rectify an irregularity.

30. **EXTENSION OR EXPANSION OF VARIATION ORDER AGAINST THE ORIGINAL CONTRACT**

- 30.1 It is recognized that in exceptional cases, the accounting officer may deem it necessary to expand or vary orders against the original contract.
- 30.2 In order to mitigate the risk to abuse the supply chain management system the following will apply:
  - (a) Contracts may be expanded or varied by not more than 15% of the original contract (including all applicable taxes) in price for goods and services and 20% of the original contract (including all applicable taxes) in price and 30 % in time (see Annexure B: Supply chain management policy for infrastructure procurement), for construction related goods, works and/or services subject to the approval of the accounting officer.
  - (b) In cases where envisaged changes in the estimated value of the purchase of goods and services does not vary more than 15% of the total value of the original contract, the contractor may be instructed to deliver the goods or render the services as such.
  - (c) In cases of measurable quantities, the contractor may be approached to reduce the unit price, and such offers may be accepted provided that there is no escalation in price.
  - (d) Above 20% in terms of the instruction dated 31 May 2011 of the Accountant-General this applies to municipalities as well as a constitutional entity in terms of the constitution of the republic of South Africa

- (i) in order to mitigate against such practices, accounting officers and authorities are directed that, from the date of this instruction note taking effect, contracts may be expanded or varied by not more than 20% or R20-million (including all applicable taxes) for construction related goods, works and/or services and 15% or R15-million (including all applicable taxes) for all other goods and/or services of the original value of the contract, whichever is the lower amount.
- (ii) the relevant treasuries may, however, decrease these thresholds for institutions reporting to them. clause 3.9.4 of the instruction stated that any deviation in excess of these thresholds will only be allowed subject to the prior written approval of the relevant treasury.
- (iii) whilst provision is made for deviations, it is imperative to note that requests for such deviations may only be submitted to the relevant treasury where good reasons exist.
- (iv) the accounting officer may expand contracts/order or varied by not more than 15% of the original contract value, or R15-million (including all applicable taxes for all other goods and/or services whichever is the lower amount.
- (v) The period of extension of a contract may not exceed a period of more than twelve (12) months.

30.3 Once approved by the accounting officer to allow an expansion or variation order a report must be submitted to the bid evaluation committee to consider the following:

- (a) whether sufficient funds on the budget exist; and
- (b) whether bidder complies with supply chain management requirements.

30.4 The bid evaluation committee must then make recommendations to the bid adjudication committee to approve the expansions or variation order.

30.5 The bid adjudication committee must consider the recommendations by the evaluation committee and approve the expansion or variation order in terms of the delegations framework as per clause 6 of this policy.

**31. PROCUREMENT OF BANKING SERVICES**

- 31.1 In terms of supply chain management regulation 30 banking services:
- (i) must be procured through competitive bids;
  - (ii) must be consistent with section 7 or 85 of the Act; and
  - (iii) may not be for a period of more than five (5) years at a time.
- 31.2 The process for procuring a contract for banking services must commence at least nine (9) months before the end of an existing contract.
- 31.3 The closure date for the submission of bids may not be less than sixty (60) days from the date on which the advertisement is placed in a newspaper in terms of sub-clause 16.4.2 of this policy.
- 31.4 Bids must be restricted to banks registered in terms of the Banks Act, 94 of 1990.

**32. PROCUREMENT OF IT RELATED GOODS OR SERVICES**

- 32.1 The accounting officer may in terms of supply chain management regulation 31 request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- 32.2 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- 32.3 The accounting officer must notify SITA together with a motivation of the IT needs if:
- (a) The transaction value of IT-related goods or services required in any financial year will exceed R50-million (VAT included); or
  - (b) The transaction value of a contract to be procured whether for one (1) or more years exceeds R50-million (VAT included).

32.4 If SITA comments on the submission and the municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant Provincial Treasury and the Auditor-General.

**33. PROCUREMENT OF GOODS & SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE**

33.1 The accounting officer may procure in terms of supply chain management regulation 32 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.

33.2 Sub-clauses 33.1(c) and (d) of this policy do not apply if:

- (a) A municipal entity procures goods or services through a contract secured by its parent municipality; or
- (b) A municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

33.3 The bid evaluation committee must consider the following documents of the other organ of state but not limited when the bid is evaluated:

- (a) Consent letter from organ of state;
- (b) Tender closing register;
- (c) Copy of tender documents;
- (d) Approved tender specifications;

- (e) Tender evaluation report;
- (f) Tender adjudication report; and
- (g) Appointment letter to service provider.

33.4 Municipalities may participate in a transversal term contract facilitated by National Treasury, relevant treasury. When considering participating in a transversal contract the following will apply:

- (a) Confirm the transversal contract meets the directive of supply chain management sub-regulations 32(1)(a) to (d).
- (b) Submit an application to National Treasury on the transversal term contracts participation template.
- (c) Ensure adequate budgets for the transversal term contract is available.
- (d) Ensure transversal term contract meets the technical specifications and quantities of the department.
- (e) Obtain transversal term contract from National Treasury.
- (f) Submit report to bid evaluation for recommendation to bid adjudication.
- (g) Approval by bid adjudication to utilize transversal term contract according to the supply chain delegations.

#### 34. **PROUDLY SA CAMPAIGN**

34.1 The municipality supports the Proudly SA campaign to the extent that, all things being equal, preference is given to procuring local goods and services as per supply chain management regulation 34.

#### 35. **APPOINTMENT OF CONSULTANTS**

35.1 The accounting officer may in terms of supply chain management regulation 35, and in line with section 62(1)(a),78(1)(b),95(a) and 105(1)(b) of the Act, 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 R200 000,00 (VAT included); or
  - (b) The duration period of the contract exceeds one (1) 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 (5) years; and
  - (b) Any similar consultancy services provided to an organ of state in the last five (5) 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 municipality.
- 35.5 Steve Tshwete Local Municipality may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full time employ to perform the function.
- 35.6 The accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates –
- (a) determined in the "*Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa*", issued by the South African Institute of Chartered Accountants;
  - (b) set out in the "*Guide on Hourly Fee Rates for Consultants*", issued by the Department of Public Service and Administration;
  - (c) as prescribed by the body regulating the profession of the *consultant*. The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub-regulation (2).

- (d) When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- (e) When consultants are appointed, an accounting officer must appoint consultants on a time and cost basis with specific start and end dates; where practical, appoint consultants on an output specified basis, subject to clear specification of deliverables and associated remuneration;
  - (1) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements; develop consultancy reduction plans; and undertake all engagements of consultants in accordance with the municipal supply chain management regulations and Steve Tshwete Local Municipality supply chain management policy.
- (f) All contracts consultants must include retention or penalty performance.
- (g) Steve Tshwete Local Municipality must ensure that the specifications and performance, are used as a monitoring tool for the work to be undertaken and is appropriately recorded and monitored.
- (h) The travel and subsistence costs of consultants must be in accordance with the travel policy issued by the National Department of Transport, as updated from time to time.
- (i) The contract price must specify all travel and subsistence cost and, if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance the abovementioned travel policy of the National Department of Transport.

**36. DEVIATION FROM & RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES**

36.1 The accounting officer may in terms of supply chain management regulation 36

(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

(b) Circumstances that warrant emergency dispensation includes the existence of one or more of the following but not limited to:

(i) The possibility of human injury or death;

(ii) The prevalence of human suffering or deprivation of rights;

(iii) The possibility of damage to property causing suffering and death of livestock and animals;

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

(v) The possibility of serious damage occurring to the natural environment

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

(vii) The possibility that the security of the municipality could be compromised.

(c) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.

(d) Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the city manager for approval.

However, where time is of the essence, the emergency shall be immediately addressed, and the process formalized in a report to the “*accounting officer*” as soon as possible thereafter not excluding supply chain management sub-regulation 1(a) and (b) to record and report to Council.

- (e) Ratification and any other exceptional cases where it is impractical or impossible to follow the normal official procurement processes:
  - (i) if such goods or services are produced or available from a single provider only.
  - (ii) for the acquisition of special works of art or historical objects where specifications are difficult to compile.
  - (iii) acquisition of animals for zoos and/or nature and game reserves.
  - (iv) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.
  - (v) ratify any minor breaches of the procurement processes by an official committee acting in terms of delegated powers or duties which are purely of a technical nature.
  - (vi) may condone any irregular expenditure incurred in contravention of, or that is not in accordance with a requirement of this policy and which is not also a contravention of the municipal supply chain management regulation, provided that such consideration and the reasons therefore be reported to at the next council meeting.
  - (vii) supply chain management sub-regulation 2 does not apply to the procurement of goods and services contemplated in supply chain management regulation 11(2).

### **37. UNSOLICITED BIDS**

37.1 In accordance with section 113 of the Act and supply chain management regulation 37 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:

- (a) for the provision of goods and services, only if
  - (i) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (ii) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
    - (1) the person who made the bid is the sole provider of the product or service; and
    - (2) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
  
- (b) for the disposal of immovable assets only if
  - (i) the proposed development offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (ii) the proposed development will be exceptionally beneficial to the council, or have exceptional local economic advantages;
  - (iii) the person who made the bid is the innovative designer of the proposed development;
  - (iv) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer;
  - (v) only if also the selling price is not less than market related except when the plight of the poor or public interest demand otherwise;
  - (vi) that the person who made the proposal will be prejudiced if a competitive bidding process is followed.

37.3 If the accounting officer decides to consider an unsolicited bid that complies with sub-clause (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, 2000 (Act No. 32 of 2000), 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 thirty (30) days of the notice.

- 37.4 All written comments received pursuant to sub-clause 37.3 of this policy, including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant 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; and
  - (b) Any written comments and recommendations of the National Treasury or the relevant 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 relevant Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 37.9 Such submission must be made within seven (7) 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 thirty (30) days of the submission.

## **38. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM**

- 38.1 The following measures in terms of supply chain management regulation 38 are established to combat the abuse of the supply chain management system.
- 38.2 The accounting officer must
- (a) Take all reasonable steps to prevent abuse of the supply chain management system.
  - (b) Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this supply chain management policy, and when justified:

- (i) take appropriate steps against such official or other role player; or
  - (ii) report any alleged criminal conduct to the South African Police Service.
- (c) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector.
- (d) Reject any bid from a bidder
  - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three (3) months; or
  - (ii) who during the last five (5) 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.
- (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 (5) years;

- (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five (5) years; or
- (iv) has been listed in the Register for Tender Defaulters In terms section 29 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004.

38.3 The accounting officer must inform the National Treasury and relevant Provincial Treasury in writing of any actions taken in terms of sub-clauses 38.2(b)(ii), 38.2(e) or 38.2(f) of this policy.

### ***PART 3: LOGISTICS, DISPOSAL, RISK & PERFORMANCE MANAGEMENT***

#### **39. LOGISTICS MANAGEMENT**

39.1 In terms of supply chain management regulation 39 STLM may not enter into any contract that will impose financial obligations beyond the three (3) years covered in the annual budget for that financial year, unless the requirements of section 33 of the Municipal Finance Management Act (MFMA) have been fully complied with, for example, the rendering of the compilation of the valuation and supplementary valuation roll services, bank services or where grant/loan funding has been secured.

39.2 An effective system of logistics management must include the following:

- (i) monitoring of spending patterns on types or classes of goods and services which should where practical incorporate the coding of items to ensure that each item has a unique number for the purposes of monitoring;
- (ii) setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (iii) placing of manual or electronic orders for all acquisitions other than petty cash;
- (iv) before payment is approved, a certification from 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;

- (v) appropriate standards of internal control and warehouse management to ensure goods placed in stores are secure and only used for the purpose they were purchased;
- (vi) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (vii) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for a particular good or service.

#### 40. DISPOSAL MANAGEMENT

40.1 In terms of supply chain management regulation 40 the criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets must be done according to the municipal asset transfer regulation and the municipality's asset management policy of Steve Tshwete Local Municipality, subject to section 14 of the Act, which are as follows:

- (a) Movable assets
  - (i) the asset is uneconomical to repair;
  - (ii) the asset is irreparable;
  - (iii) the relevant department has no further use for the asset; and
  - (iv) no other department requires the asset.
- (b) Immovable assets
  - (i) the relevant department has no further use for the asset;
  - (ii) no other department requires the asset;
  - (iii) a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community; and
  - (iv) where created specifically for sale or rental to public.

40.2 The disposal of assets must

- (a) Be by one of the following methods:
  - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

- (ii) transferring the asset to another organ of state at market related value or, when appropriate for a lesser amount or free of charge;
- (iii) selling the asset; or
- (iv) destroying the asset;

provided that:

- (1) immovable assets may be sold at not less than market related prices except when the public interest or the plight of the poor demands otherwise, by means of public tenders, public auction or over the counter on a first come first serve basis;
- (2) movable assets may be sold either by way of written price quotations, public tenders, public auction whichever is the most advantageous;
- (3) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within thirty (30) days whether any of the local schools are interested in the equipment; and
- (4) in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic.

(b) Furthermore, ensure that

- (i) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
- (ii) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.

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

40.3 The alienation of immovable assets is subject to the municipal asset transfer regulation.

40.4 The alienation of immovable assets is subject to the following principles:

The payment of the purchase price and costs will be subject to:

- (a) Cash payment of the full purchase price and estimated cost pertaining to the transaction upon signature of the deed of sale.
- 40.5 The property must be transferred to the purchasers' name within a period of hundred and eighty (180) days.
- 40.6 The standard conditions pertaining to the sale are, but not limited to:
- (a) All costs pertaining to a transaction shall be borne by the successful bidder/purchaser example survey, engineering fees, advertisement, rezoning, et cetera. The municipality may waive the costs subject to council policy.
  - (b) The purchaser shall commence with the development of the property within thirty-six (36) months after the date of sale and shall complete the development within eighteen (18) months thereafter.
  - (c) Should the purchaser fail to commence with or complete the development as stipulated in clause 40.7(b) of this policy the purchaser may apply for extension by a maximum of a further two (2) year period.
  - (d) The purchaser may only sell the property after a period of five (5) years from date of sale subject to that the rates and taxes are paid up to date.

#### **41. RISK MANAGEMENT**

- 41.1 In terms of supply chain management regulation 41 the criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:
- (a) Non-compliance by the supplier to deliver within the agreed timeframes;
  - (b) Supply of inferior goods or services by the supplier;
  - (c) Inability of the supplier to provide goods or services as ordered;

- (d) Non-adherence to the municipality policy with regards to utilization of preferred suppliers; and
- (e) Procurement of goods or services at prices or of a quality not in the best interest of the municipality.

Risk management must include

- (1) The identification of risks on a case-by-case basis;
- (2) The allocation of risks to the party best suited to manage such risks;
- (3) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- (4) The management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- (5) The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

#### **42. PERFORMANCE MANAGEMENT**

- 42.1 In terms of supply chain management regulation 42 the accounting officer must ensure that an effective internal monitoring system is implemented in order to determine, on the basis of a retrospective analysis, whether the authorized supply chain management processes were followed and whether the measurable performance objectives linked to and approved with the budget and the service delivery and budget implementation plan, were achieved.

#### ***PART 4: OTHER MATTERS***

#### **43. MEASURES TO PROMOTE LOCAL SUPPLIERS & SMME'S** (procurement strategy will be developed in consultation with the responsible division in STLM - Demand Management)

- 43.1 As far as possible, must quotations, with value less than R30 000,00, be awarded to local SMME's or suppliers for the following services:
  - (a) catering services;
  - (b) furniture and décor;
  - (c) travel coordination and commuting services;
  - (d) stationery stock and printing; and

- (e) advertisement, media, communications.

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

- 44.1 In terms of supply chain management regulation 43 the accounting officer must ensure that, irrespective of the procurement process followed, no award above R15 000,00 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- 44.2 Where goods and services have been delivered satisfactorily without any dispute, accounting officer should not delay processing payment of invoices due to outstanding tax matters.
- 44.3 Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within seven (7) working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by bidder must be verified via CSD or e-filing. Accounting officer should reject a bid/quote submitted if such bidder fails to provide proof of tax compliance status within the timeframe as stated above.

**45. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE**

- 45.1 In terms of supply chain management regulation 44 the accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person:
  - (a) Who is in the service of the state; or
  - (b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
  - (c) A person who is an advisor or consultant contracted with the municipality.

**46. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE**

46.1 In terms of supply chain management regulation 45 the notes to the annual financial statements must disclose particulars of any award of more than R2 000,00 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve (12) 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.

**47. ETHICAL STANDARDS**

47.1 A code of ethical standards is hereby established, in accordance with SCM regulation 46 and sub-clause 47.2 of this policy, 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.

47.2 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;
- (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 R350,00;
- (d) Notwithstanding sub-clause 47.2(c) of this policy, must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

- (e) Must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
- (f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) Must be scrupulous in his or her use of property belonging to the municipality;
- (h) Must assist the accounting officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system; and
- (i) Must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
  - (i) any alleged fraud, corruption, favoritism or unfair conduct;
  - (ii) any alleged contravention of sub-clause 50.1 of this policy; or
  - (iii) any alleged breach of this code of ethical standards.

47.3 Declarations in terms of sub-clause 47.2(d) and (e) of this policy:

- (a) must be recorded in a register which the accounting officer must keep for this purpose;
- (b) by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.

47.4 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.

47.5 A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Local Government: Municipal Systems Act, 2000.

**48. INDUCEMENTS, REWARDS, GIFTS & FAVOURS TO MUNICIPAL OFFICIALS & OTHER ROLE PLAYERS**

48.1 In terms of supply chain management regulation 47 no person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of, may either directly or through a representative or intermediary promise, offer or grant:

- (a) Any inducement or reward to the municipality for or in connection with the award of a contract; or
- (b) Any reward, gift, favour or hospitality to:
  - (i) any official; or
  - (ii) any other role player involved in the implementation of the supply chain management policy.

48.2 The accounting officer must promptly report any alleged contravention of sub-clause 48.1 of this policy 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.

48.3 Sub-clause 48.1 of this policy does not apply to gifts less than R350,00 in value.

**49. SPONSORSHIPS**

49.1 In terms of supply chain management regulation 48 the accounting officer must promptly disclose to the National Treasury and the relevant Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:

- (a) A provider or prospective provider of goods or services; or
- (b) A recipient or prospective recipient of goods disposed or to be disposed.

**50. OBJECTIONS AND COMPLAINTS**

50.1 In terms of supply chain management regulation 49 persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within fourteen (14) days of the decision or action, a written objection or complaint against the decision or action.

**51. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS & QUERIES**

51.1 In terms of supply chain management regulation 50 the accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes:

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

51.2 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.

51.3 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.

51.4 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 sixty (60) days; or

(b) No response is forthcoming within sixty (60) days.

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

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

**52. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURN-OVER**

52.1 In terms of supply chain management regulation 51 if a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate:

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

(b) That such compensation must be performance based.

**53. CANCELLATION OF CONTRACTS**

53.1 Contracts may be terminated in accordance with the termination provisions set out in the contract and in terms of PPPFA Regulation 14(1)(c)(i)(aa) and reasons contemplated in supply chain management sub-regulations 38(1)(f) & (g). Legal advice may be sought as appropriate.

**54. CANCELLATION OF TENDERS**

54.1 In terms of PPPFA Regulation 13 the municipality may accept or reject any variation, deviation, tender offer, or alternative tender offer, and may cancel the tender process and reject all tender offers at any time before the formation of a contract. The municipality shall not accept or incur any liability to a tenderer for such cancellation and rejection but will give written reasons for such action upon written request to do so.

54.2 The municipality may, prior to the award of a tender, cancel a tender if –

- (a) Due to changed circumstances there is no longer a need for the services, works or goods requested;
- (b) The funds are no longer available to cover the total envisaged expenditure;
- (c) No acceptable tenders are received; or
- (d) The incorrect application of the preference point system applied.

54.3 In the event of an incorrect preference point system the following will applied:

- (a) In the application of the 80/20 preference point system as stipulated in the tender documents, all tenders received exceed the estimated Rand value of *R50-million*, the tender invitation must be cancelled.
- (b) If one or more of the acceptable tenders received are within the prescribed threshold of R50-million, all tenders received must be evaluated on the 80/20 preference point system.
- (c) In the event of the application of the 90/10 preference point system as stipulated in the tender documents, all tenders received are equal to or below the estimated Rand value of R50-million, the tender invitation must be cancelled.
- (d) If one or more of the acceptable tenders received are above the prescribed threshold of R50-million, all tenders received must be evaluated on the 90/10 preference point system.
- (e) A cancellation of a tender invitation as contemplated in the supply chain management sub-regulation (3)(a) and (3)(c), must re-invite tenders and must, in the tender documents, stipulate the correct preference point system to be applied.

54.4 The decision to cancel a tender in terms of the supply chain management sub-regulation 58(2) must be published in the government tender bulletin for the media in which the original tender invitation was advertised.

- 54.5 The municipality may not, subsequent to the cancellation or abandonment of the tender process, or the rejection of all responsive tender offers, re-issue a tender covering substantially the same scope of work within a period of six (6) months unless only one tender was received, and such tender was returned unopened to the tenderer.
- 54.6 The period of six (6) months “*cooling off period*” commence from the official cancellation or abandonment date (CIDB standard condition of tender).
- 54.7 An organ of state may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.

## 55. **BLACKLISTING**

- 55.1 Tenderers and service providers can be blacklisted/prohibited from doing business with the municipality based on supply chain management sub-regulations 38(1)(f) & (g) for a prescribed period due to an improper practice or non-performance as defined in the blacklisting policy.
- 55.2 A tenderer who is blacklisted or included on the National Treasury register of tender defaulters, shall not be allowed to participate in any procurement processes for work offered by the municipality during the period of disqualification. Maximum period of restriction shall be five (5) years and shall be determined on a case-by-case-basis.
- 55.3 The blacklisting of tenderers, service providers, persons and/or business will be conducted according to the procedures as stipulated in the blacklisting policy.

## 56. **GENERAL**

- 56.1 The municipality supports labour intensive construction and other services relating to where physical labour is required. All labour-intensive projects a minimum of 80% local labour will apply to bids.
- 56.2 All relevant EPWP documents and reports must be completed in full and be submitted as part of the bid documents and thereafter on implementation of the project.
- 56.3 All construction work contracts shall include:
- (a) operation and maintenance plans for such contracts;

- (b) environmental impact assessments or exemption/partial exemption thereof; and
- (c) occupational health and safety plans where applicable.

## **57. BUDGETARY ITEMS**

### **57.1 RETENTION**

- 57.1.1 Retention is an amount of money retained for a certain period to offset costs which may arise from the contractor's failure to comply fully with the contract.
- 57.1.2 Retention amounts are deducted from the value of the interim amounts inclusive of VAT due to contractors in construction works contracts. (Retention amounts are financial arrangements between the parties to a contract and are therefore not subject to VAT.)
- 57.1.3 Some forms of contract include the release of retention monies in interim and final payments. Others make these amounts due within a specified time after the employer's agent certifies completion or the end of the defects liability period in terms of the contract.
- 57.1.4 Release of retention monies. Retention amounts are deducted from the value of the interim amounts inclusive of VAT due to contractors in construction works contracts (retention amounts are financial arrangements between the parties to a contract and are therefore not subject to VAT) Some forms of contract include the release of retention monies in interim and final payments. Others make these amounts due within a specified time after the employer's agent certifies completion or the end of the defects liability period in terms of the contract.
- 57.1.5 Retention for procurement of goods and services (including consultancy services) will not generally be called for and does not form part of the contract but forms part of the programme for specific service or works required. It can, however, be accessed through the programme in accordance with the limits set below for goods and services:

- (a) In respect of a Rand value less than or equal to R1 000 000,00, 5% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period.
- (b) In respect of a Rand value exceeding R1 000 000,00, 10% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period unless otherwise provided for in the standard conditions of contract as may be prescribed.

57.1.6 For construction works see clause 14.5.6 of the Standard for Infrastructure Procurement and Delivery Management (SIPDM);

- (a) Retention monies that are held shall not exceed 10% of any amount due to a contractor. The total amount of retention monies held shall not exceed 5% of the contract or package order price.

57.1.7 No interest shall be paid or claimed on retention monies kept by the municipality on behalf of service providers.

Table 6: Retentions in terms of construction works

**Form of Contract**

**Release of Retention Amounts**

FIDIC short contract

The first half of the retention is paid by the employer within 14 days of issuing the taking over notice. The second half of the retention is paid within 14 days after the later of the expiry of the period for notifying of defects stated in the contract data or the remedying of notified defects. The contractor is not required to issue a statement to receive these payments. The issuing of the notice and the expiry of these periods automatically trigger payment.

FIDIC “Red Book” and FIDIC “Yellow Book”

The first half of the retention money is certified for payment by the engineer when the taking-over certificate is issued. The outstanding balance of the retention is certified by the engineer promptly after the expiry of the latest of the dates for the defects notification period.

## **Form of Contract**

GCC 2004

JBCC minor works

JBCC principal agreement

NEC engineering and construction short contract

NEC engineering and construction contract

## **Release of Retention Amounts**

The first half of the retention money becomes due when the engineer issues the certificate of completion. The outstanding balance of the retention is certified by the engineer within 14 days after the expiry of the defects liability period.

Retention is halved after the date of practical completion and becomes 0% in the final payment certificate.

The payment reduction is 97% of the interim payment certificate issued at practical completion, 99% of the interim payment certificate issued on the date of final completion and 100% of the value in the final payment certificate.

The amount is halved in the first assessment made after completion and remains at this amount until the assessment day after the defects certificate is issued. No amount is retained in the assessment made after the defects certificate has been issued.

The amount is halved in the next assessment made at the completion of the whole of the works or in the assessment after the employer has taken over the whole of the works if this is before completion of the whole of the works. No amount is retained in the assessment made after the defects certificate has been issued.

## **57.2 CONTINGENCIES**

57.2.1 No provision for contingencies or price adjustment for inflation shall be made in the pricing data or included in the contract price at the time that the contract is awarded or an order is issued this budgetary item will be kept at programme level ,approval will be obtain from the Municipal Manager (see Annexure B) and Standard for Infrastructure Procurement (SIPDM section 14.5.9) at programme level

## **58. NO FORMAL BID PROCESS**

58.1 The following line items are not required to be procured through SCM process:

- (a) The end user to complete and submit documents with the original invoice to SCM unit to check for legal compliancy:
- (i) audit fees;
  - (ii) bursaries and student practical work;
  - (iii) compensation for injuries and dismissals;
  - (iv) congresses/professional meetings (S&T);
  - (v) donations/grants by council;
  - (vi) entertainment: finance – cash collection;
  - (vii) telecommunications (Telkom);
  - (viii) license fees;
  - (ix) postage;
  - (x) mayoral donations;
  - (xi) membership fees;
  - (xii) insurance claims;
  - (xiii) ward committee allowances;
  - (xiv) Eskom;
  - (xv) debit orders;
  - (xvi) bank charges;
  - (xvii) Rand Water;
  - (xviii) inter-departmental charges; and
  - (xix) employee/councilors related costs;

58.2 The following items are not required to be procured through the normal supply chain management process as required by any legislation:

- (a) Audit fees;
- (b) Statutory payments;
- (c) License fees;
- (d) Postage fees;
- (e) Membership fees;
- (f) Telecommunications (Telkom);
- (g) DWAF (water purchases);
- (h) Eskom (electricity purchases); and/or
- (i) Purchases less than R2 000,00.

## 59. RECORDS TO BE KEPT

- (a) Record of verbal and written quotations and formal written quotations
- (b) Verbal and written quotations
- (c) Formal written price quotations
- (d) List of bid documents issued

- (e) Record of ad hoc bids
- (f) Record of specific term contracts
- (g) Record of deviation processes
- (h) Record of complaints received from bidders or contractors
- (i) Record of declaration of interest
- (j) Record of gifts received
- (k) Record of instances of fraud or corruption
- (l) Record of irregular, fruitless and wasteful expenditure
- (m) Record of circulars distributed within Steve Tshwete Local Municipality.

## 60. REPORTING OBLIGATIONS

60.1 STLM shall submit to the Council, the Mpumalanga Provincial Treasury, the National Treasury, the Department for Local Government in the Province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

### 60.2 AD HOC REPORTING

Table: 2

<b>REPORTING OBLIGATION</b>	<b>REPORT TO</b>
➤ If the municipal manager is unable to comply with any of the responsibilities in terms of the MFMA, he/she shall promptly report the inability, together with reasons.	<input type="checkbox"/> Council
➤ The municipal manager of Steve Tshwete Local Municipality shall report any deviations between this SCM manual and the guideline standard.	<input type="checkbox"/> Council
➤ If Steve Tshwete Local Municipality procures goods or services as contemplated in section 110(2) of the MFMA, they shall make public the fact that it procures such goods or services otherwise than through its supply chain management system, including: <ul style="list-style-type: none"> <li>▪ The kind of goods or service.</li> <li>▪ The name of the supplier.</li> </ul>	<input type="checkbox"/> Shall make public

## **REPORTING OBLIGATION**

- If a bid other than the one recommended in the normal course of implementing the supply chain management policy is approved, the municipal manager shall within ten (10) working days, in writing, notify the role players of the reasons for deviating from such recommendation.
- If Steve Tshwete Local Municipality disagrees with comments from SITA in terms of MFMA regulation 31(4), the comments and the reasons for rejecting or not following such comments shall be submitted to the role players.
- The municipal manager shall record the reasons for any deviations from the procurement processes and report them to the next meeting of the council.
- If Steve Tshwete Local Municipality decides to consider an unsolicited bid, Steve Tshwete Local Municipality shall make its decision public and once Steve Tshwete Local Municipality has received written comments on this issue, it shall submit such comments, including any responses from the unsolicited bidder, to the role players for comment.
- If any recommendation of the council, the municipal manager shall submit within seven (7) days, to the role players the reasons for rejection or not following those recommendations.
- The municipal manager shall inform the role players in writing of any actions taken in terms of MFMA regulation 38(1)(b)(ii), (e) or (f) (system abuse, fraud and corruption and contract cancellation).
- On discovery of any irregular expenditure or any fruitless and wasteful expenditure, the municipal manager shall inform the council, who shall promptly report, in writing, to the role players:
  - Particulars of the expenditure.
  - Any steps that have been taken:
    - ✓ To recover the expenditure.
    - ✓ To prevent a recurrence of the expenditure
- The council shall promptly report any:
  - Irregular expenditure that may constitute a criminal offence.
  - Other losses suffered by Steve Tshwete Local Municipality which resulted from suspected criminal conduct

## **REPORT TO**

- Auditor-General
- Provincial Treasury
- National Treasury
  
- Council
- National Treasury
- Provincial Treasury
- Auditor-General
  
- Council
  
- National Treasury
- Provincial Treasury
- Council
  
  
- Council
- National Treasury
- Provincial Treasury
  
- Council
- Mayor and Municipal Manager
- Auditor-General
  
  
- Council
- Auditor-General
- SAPS (if criminal offence)

## 60.3 MONTHLY REPORTING

Table: 3

### **REPORTING OBLIGATION**

### **REPORT TO**

- He/she the municipal manager or delegate shall report monthly on the following aspects:
  - Total procurement spend.
  - Percentage of total spend directed towards BEE against target.
  - Targeted percentage spend to be directed towards BEE.
  - All declarations of interest by the MM shall be made to the Council.
  - Process disputes.
  - Unsolicited bids considered and accepted with consent of other role players.
- The municipal manager shall, on a monthly basis report on the management of contracts or agreements and the performance of the relevant contractors.
- An official or bid adjudication committee to which the power to make final awards has been sub-delegated shall within five (5) days of the end of each month submit a written report containing particulars of each final award made by such official or committee during that month, including:
  - The amount of the award.
  - The name of the person to whom the award was made.
  - The reason why the award was made to that person.
- A written report referred to in MFMA regulation 5(3) shall be submitted:
  - To the municipal manager, in the case of an award by:
    - ✓ The chief financial officer.
    - ✓ A senior official.
    - ✓ A bid adjudication committee of which the chief financial officer or a senior official is a member.
    - ✓ The chief financial officer or the senior official responsible for the relevant bid, in the case of an award by:
      - manager referred to in MFMA regulation 5(2)(c)(iii).
      - A bid adjudication committee of which the chief financial officer or a senior official is not a member.
- MFMA regulation 5(3) and (4) does not apply to procurement out of petty cash

Council

The official referred to in MFMA Regulation 5(4)

MM  
 CFO

**REPORTING OBLIGATION****REPORT TO**

- Each manager shall however forward a monthly reconciliation report on petty cash purchases detailing at least:
  - Total amount of petty cash purchases for that specific month.
  - Receipts and appropriate documents for each purchase.
  - If it is not possible to obtain at least three formal written price quotations, the reasons shall be recorded and approved by the CFO or an official designated by the CFO. The municipal manager or delegate shall record the names of the potential providers and their written quotations.
  - The official designated by the CFO shall within three (3) days of the end of each month report to the CFO on any approvals given during that month.
- The municipal manager or CFO shall 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  MM or CFO
- The appointed person who deals with disputes, objections, complaints and queries shall submit a report on the status of these issues.  MM

**60.4 QUARTERLY REPORTING**

Table: 4

**REPORTING OBLIGATION****REPORT TO**

- The municipal manager shall within ten (10) days after the end of each quarter submit implementation reports on the supply chain management policy.  Council
- If it is not possible to obtain at least three (3) written or verbal quotations, the reasons shall be recorded and reported.  MM or another official designated by the MM

**60.5 ANNUAL REPORTING**

60.5.1 The municipal manager shall at least annually within twenty (20) days of the end of the financial year, submit reports on the implementation of the supply chain management policy as contained in the supply chain management manual to the council within thirty (30) days of the end of the financial year.

- 60.5 The municipal manager of Steve Tshwete Local Municipality shall at least annually review the implementation of the supply chain management policy as contained in the supply chain management manual, inform the council of its correctness and applicability and, if necessary; submit proposals for the amendment of the manual to the council.
- 60.6 Disclose particulars of non-compliance with the MFMA from a supply chain management perspective.

Table 5

<b>REPORTING OBLIGATION</b>	<b>REPORT TO</b>
➤ The municipal manager shall at least annually within twenty (20) days of the end of the financial year, submit reports on the implementation of the supply chain management policy as contained in the supply chain management manual to the council within thirty (30) days of the end of the financial year.	<input type="checkbox"/> Council
➤ The municipal manager of Steve Tshwete Local Municipality shall at least annually review the implementation of the supply chain management policy as contained in the supply chain management manual, inform the council of its correctness and applicability and, if necessary, submit proposals for the amendment of the manual.	<input type="checkbox"/> Council
➤ The notes to the annual financial statements of Steve Tshwete Local Municipality shall: <ul style="list-style-type: none"> <li>▪ Disclose particulars of any award of more than R2 000,00 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including: <ul style="list-style-type: none"> <li>✓ The name of that person.</li> <li>✓ The capacity in which that person is in the service of the state.</li> <li>✓ The amount of the award</li> </ul> </li> <li>▪ Disclose the reasons for any deviations from the procurement processes.</li> <li>▪ Disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditure that occurred during the financial year and whether these are recoverable.</li> <li>▪ Disclose particulars of any criminal or disciplinary steps taken as a result of such losses or such irregular or fruitless and wasteful expenditures.</li> <li>▪ Disclose particulars of non-compliance with the MFMA from a supply chain management perspective</li> </ul>	

## **60.6 REPORTING TO NATIONAL TREASURY**

### **60.6.1 SUPPLY CHAIN MANAGEMENT IMPLEMENTATION**

- (a) Steve Tshwete Local Municipality shall continue to report to National Treasury on their progress in the implementation of supply chain management if there are any changes from year to year.

### **60.6.2 CONTRACTS REPORTING QUESTIONNAIRE**

- (a) Steve Tshwete Local Municipality shall submit reports electronically (on the National Treasury PCI system) to National Treasury in respect of each contract above the value of R100 000,00 (all applicable taxes included) concluded during that month within fifteen (15) days of the end of each month.
- (b) Report all irregular expenditure immediately to the National Treasury.

### **60.6.3 RESTRICTIONS IMPOSED BY STLM**

- (a) Report all restrictions imposed by Steve Tshwete Local Municipality immediately to the National Treasury.

### **60.6.4 UNSOLICITED PROPOSALS**

- (a) Upon receipt of an unsolicited proposal, Steve Tshwete Local Municipality shall (in writing) notify the National Treasury contact person within ten (10) working days of such receipt.

### **60.6.5 REPORT TO THE DTI**

- (a) Steve Tshwete Local Municipality shall, within five (5) working days after the award of a contract that is in excess of R10-million, submit details of such a contract to the NIPP section of the DTI.

## **61. REVIEW**

- 61.1 This policy will be reviewed annually to be in line with municipal practices, legislation and regulations.

62. **SHORT TITLE**

- 62.1 This policy shall be called the Steve Tshwete Local Municipality Master Supply Chain Management Policy.

**PART 5**

**ANNEXURES**

Annexure A	Code of conduct for supply chain management practitioners & other role players
Annexure B	Supply chain management policy for infrastructure procurement & delivery management
Annexure C	MFMA Circular 62 (supply chain management enhancing compliance & accountability, 20 August 2012)
Annexure C1	Demand management
Annexure C2	Procurement plan
Annexure C3	MBD4 declaration updated version
Annexure D	Petty cash policy