

Chief Albert Luthuli Municipality

*The transparent, innovative and developmental municipality
that improves the quality of life of its people*



Supply Chain Management Policy

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MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO 56 OF 2003)

Date of Adoption: 1 July 2007

Date of Review: 30 May 2014 (Council Resolution No)

Council resolved in terms of section 111 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), to adopt the following proposal as the supply chain management policy of Chief Albert Luthuli Municipality.

1. Definitions

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

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

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

“designated supply chain management official” means the supply chain manager.

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

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

“in the service of the state” means –

- (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;

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

“list of accredited prospective providers” means the list of accredited prospective providers which the municipality shall keep in terms of section 14 of this policy;

“municipality” means Chief Albert Luthuli Municipality or an entity directly linked to the municipality.

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

- (a) the Preferential Procurement policy Framework Act, 2000 (Act No 5 of 2000);
- (b) The Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);
- (c) The Construction Industry Development Board Act, 2000 (Act No 38 of 2000); and
- (d) The Local Government: Municipal Systems Act, 1999 (Act No of 1999)

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

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

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

“written quotations” means quotations referred to in section 12(1)(b) of this policy.

CHAPTER 1
IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy

- (1) All officials and other role players in the supply chain management system of the municipality shall implement this policy in a way that –
- (a) gives effect to –
 - (i) Section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) This policy applies when the municipality -
- (a) procures goods or services;
 - (b) disposes goods no longer needed;
 - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) selects external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; ~~and~~
 - (b) electricity from Eskom or another public entity, another municipality or a municipal entity;
 - (c) goods and services in respect of servicing of fleet at the dealership. eg Toyota, Nissan, Audi, BMW etc.;
 - (d) accommodation in hotel/lodge where one has to attend a course/workshop/event, or from nearest available (not more than 3 star) hotel/lodge if fully booked.
- ~~and.~~

3. Amendment of the supply chain management policy

- (1) The accounting officer shall –
 - (a) at least annually review the implementation of this policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council;
- (2) if the accounting officer submits proposals/amendments to the council that differs from the model policy issued by the national treasury, the accounting officer shall –
 - (a) ensure that such proposed amendments comply with the regulations; and
 - (b) report any deviation from the model policy to the national treasury and the relevant provincial treasury;
- (3) when amending this policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses shall be taken into account.

4. Delegation of supply chain management powers and duties

- (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
 - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of subsection (1).
- (3) The accounting officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee that is not exclusively composed of officials of the municipality;
- (4) This section may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in section 26 of this policy.

5. Sub-delegations

- (1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this policy.

- (2) The power to make a final award –
- (a) Above R10 million (VAT included) may not be sub-delegated by the accounting officer;
 - (b) Above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –
 - (i) The chief financial officer;
 - (ii) A senior manager; or
 - (iii) A bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (c) Not exceeding R 2 million (VAT included) may be sub-delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) must be submitted –
- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2) (c) (iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

Subsections (3) and (4) of this policy do not apply to procurements out of petty cash.

This paragraph 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 paragraph 26 of this policy.

No supply chain management decision-making powers may be delegated to an advisor or consultant.

Supply Chain Management Policy

6. Oversight role of council

- (1) The council reserves its right to maintain oversight over the implementation of this policy.
- (2) For the purposes of such oversight the accounting officer shall -
 - (a) within 30 days of the end of each financial year, submit a report on the implementation of this policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
 - (b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council.
- (3) The accounting officer shall, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

7. Supply chain management unit

- (1) A supply chain management unit is hereby established to implement this policy.
- (2) The supply chain management unit shall operate under the direct supervision of the chief financial officer through the supply chain manager to whom this duty has been delegated in terms of section 82 of the Act.

8. Training of supply chain management officials

The training of officials involved in implementing this policy shall be in accordance with any treasury guidelines on supply chain management training.

CHAPTER 2
SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management

system This policy provides systems for –

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management; and
- (vi) performance management.

Part 1: Demand management

10. System of demand management

- (1) The accounting officer shall establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in its Integrated Development Plan.
- (2) The demand management system shall –
 - (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - (c) provide for the compilation of the required specifications to ensure that its needs are met.
- (3) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

Part 2: Acquisition management

11. System of acquisition management

- (1) The accounting officer shall implement the system of acquisition management set out in this part in order to ensure –
 - (a) that goods and services are procured by the municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and

(e) that any treasury guidelines on acquisition management are properly taken into account.

(2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer shall make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including –

(a) the kind of goods or services; and

(b) the name of the supplier.

12. Range of procurement processes

(1) The procurement of goods and services through this policy is provided by way of –

(a) Petty cash purchases shall be incurred up to a value of R1000 (VAT included);

(b) At least one written quotations for procurements of a transaction up to value of R2 000 (VAT included);

(c) Three written quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);

(d) Formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and

(e) a competitive bidding process for–

- (i) procurements above a transaction value of R200 000 (VAT included); and
- (ii) the procurement of long term contracts.

(2) The accounting officer may, in writing–

(a) lower, but not increase, the different threshold values specified in subsection (1); or

(b) direct that –

- (i) at least one written quotation be obtained for any specific procurement of a transaction value lower than R2 000;
- (ii) three formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
- (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items shall as far as possible be treated and dealt with as a single transaction.

13. General preconditions for consideration of written quotations or bids

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

(a) has furnished that provider's –

- (i) Full name;
- (ii) Identification number or company or other registration number; and
- (iii) Tax reference number and VAT registration number, if any;

- (iv) ~~Proof of payment of municipal rates~~ Municipal rates account that is not older than 3 months;
- (v) ~~Proof of residential address~~ Municipal rates account must not be in arrears for more than 90 days;
- (vi) ~~Proof of CSD registration~~ Bidders who are in arrears of Municipal Accounts shall also be considered on condition that after appointment the service provider shall authorise the municipality to deduct the outstanding amounts from their payment or as per arrangement;

- (b) has authorised the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subsection (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.
- (d) The submitted quotation or bid shall be properly signed and shall at least be valid for the period of 0 to 90 days; otherwise such bid shall amount to disqualification.

14. Lists of accredited prospective providers

- (1) The accounting officer shall –
 - (a) Make use of the National Treasury Centralised Supplier Database (CSD) as a list of accredited prospective providers of goods and services that shall be used for the procurement requirements through written quotations and formal written price quotations; and
 - (b) All prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers will be obtained through the use of the National Treasury Centralised Supplier Database (CSD)
 - (c) specify the listing criteria for accredited prospective providers;
 - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
 - (e) disallow the listing of any prospective provider who previously defaulted with contract with the provision of goods or services in the municipality for the past 5 years; irrespective of the value of the contract or service.
- (2) The list shall be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers shall be allowed to submit applications for listing at any time.
- (3) The list shall be compiled per commodity and per type of service.

15. (a) Petty cash purchases (R0 to R1000)

(Note: this portion is not applicable to salary and wage payouts made from petty cash through the Salaries Office)

Commented [NM1]:

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The conditions for the procurement of goods by means of petty cash purchases referred to in section 12(1)(a) of this policy are as follows -

- (1) The chief financial officer shall authorise all petty cash purchases up to a maximum of R1000 per month, per Directorate/Department.
- (2) The following expenditure may only be incurred from petty cash in cases of urgency -
 - (a) Any item that is a stores stock item.
- (3) A monthly reconciliation report from each directorate shall be provide to the chief financial officer, including-
 - (a) the total amount of petty cash purchases for that month; and
 - (b) receipts and appropriate documents for each purpose.

(b)Written quotations (up to R2 000)

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

- (1) A written quotation shall be obtained from at least one service provider for the procurement of goods and services of a transaction value lower than R2 000 (VAT included);
- (2) upon receipt of the written quotation an order must be issued to the selected provider.

16. Written quotations (up to R30 000)

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

- (1) Written quotations up to R30 000 (VAT included) shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality provided that if quotations are obtained from providers who are not listed, such providers shall meet the listing criteria set out in section 14(1)(b) and (c) of this policy.
- (2) To the extent feasible, providers shall be requested to submit such quotations in writing.
- (3) If it is not possible to obtain at least three quotations, the reasons shall be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer.
- (4) The accounting officer shall record the names of the potential providers requested to provide such quotations with their quoted prices.
- (5) If a quotation was submitted written, the order may be placed only against written confirmation by the selected provider.

17. Formal written price quotations

- (1) The conditions for the procurement of goods or services through formal written price quotations are as follows:
 - (a) Quotations shall be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality.
 - (b) Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in section (14)(1) of this policy.

- (c) If it is not possible to obtain at least three quotations, the reasons shall be recorded and approved by the chief financial officer or an official designated by the chief financial officer.
 - (d) The accounting officer shall record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subsection (1)(c) shall within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subsection.

18. Procedure for procuring goods or services through written quotations and formal written price quotations

- (1) The procedure for the procurement of goods or services through written quotations or formal written price quotations is as follows:
- (a) When using the list of accredited prospective providers the accounting officer shall promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis.
 - (b) All requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations shall, except in a case where section 18(a) is utilised, in addition to the requirements of section 17, be advertised for at least 7 (seven) days on the website and an official notice board of the municipality.
 - (c) Offers received shall be evaluated on a comparative basis taking into account unconditional discounts.
 - (d) The accounting officer or chief financial officer shall 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.
 - (e) Offers below R30 000 (VAT included) shall be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services, and lowest price.
 - (f) Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), shall be awarded to the bidder who scores the highest points.
 - (g) Minutes of evaluation of quotations and the criteria used to evaluate the quotations shall be properly recorded and signed by the evaluator of such quotations duly appointed by the accounting officer, the supply chain manager and the chief financial officer.
 - (h) Any bid or quotation between R0 to R200 000 may be evaluated only by the supply chain management section, wherein recommendations shall be made by the end-user department, the chief financial officer and *shall* be approved by the accounting officer.

19. Competitive bids

- (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to section 11(2) of this policy.
- (2) No procurement of goods or services above an estimated transaction value of R200 000 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

20. Process for competitive bidding

- (1) The procedures for the following stages of a competitive bidding process are as follows:
 - (a) Compilation of bidding documentation as detailed in section 22;
 - (b) Public invitation for bids as detailed in section 23;
 - (c) Site meetings or briefing sessions as detailed in section 23;
 - (d) Handling of bids submitted in response to public invitation as detailed in section 24;
 - (e) Evaluation of bids as detailed in section 28;
 - (f) Award of contracts as detailed in section 29;
 - (g) Administration of contracts -
 - (h) After approval of a bid, the accounting officer and the bidder shall enter into a written agreement.
 - (i) Proper record keeping -
 - (i) Original / legal copies of written contract agreements shall be kept in a secure place for reference purposes.

21. Bid documentation for competitive bids

- (1) The criteria to which bid documentation for a competitive bidding process shall comply shall -
 - (a) take into account -
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - (b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - (d) if the value of the transaction is expected to exceed R10 million (VAT included, require bidders to furnish -
 - (i) if the bidder is required by laws to prepare annual financial statements for auditing, their audited annual financial statements:
 - for the past three years; or
 - since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

- (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
- (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes shall be settled by means of mutual consultation, mediation (with or without legal representation or, when unsuccessful, in a South African court of law.

22. Public invitation for competitive bids

- (1) The procedure for the invitation competitive bids is as follows:
 - (a) Any invitation to prospective bidders to submit bids shall be by means of a public advertisement in newspapers commonly circulating locally or on the government tender website (eTender), municipal official notice boards, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - (b) The information contained in a public advertisement shall include -
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are for a long term nature, or 14 days any other case, from the date on which the advertisement is placed in a newspaper or eTender, subject to subsection (2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
 - (iii) the date, time and venue of any proposed site meetings or briefing sessions.
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted shall be sealed.
- (4) Where bids are requested in electronic format, such bids shall be supplemented by sealed hard copies.

23. Procedure for handling, opening and recording of bids

- (1) The procedures for the handling, opening and recording of bids are as follows:
 - (a) Bids -
 - (i) shall be opened only in public;
 - (ii) shall be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time shall not be considered and returned unopened immediately.

- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time shall be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the provisions in subsection (b), relating to the bid shall be disclosed to bidders or other persons until the successful bidder is notified of the award.
- (d) The accounting officer shall -
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website.

24. Negotiations with preferred bidders

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -
 - (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations shall be kept for record purposes.

25. Two-stage bidding process

- (1) A two-stage bidding process is allowed for -
 - (a) large complex projects;
 - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (c) long term projects with a duration period exceeding three years.
- (2) In the first stage technical proposals on conceptual design or performance specifications shall be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the record stage final technical proposals and priced bids shall be invited.

26. Committee system for competitive bids

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
 - (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee.
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act.

- (3) A neutral or independent observer, appointed by the accounting officer, shall attend or oversee a committee when this is appropriate for;
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5) (a) If the bid adjudication committee decided to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee shall prior to awarding the bid -
 - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and
 - (ii) notify the accounting officer.

(b) The accounting officer may -

 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in section (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of the bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer shall comply with section 114 of the Act within 10 working days.
- (8) The bid evaluation or adjudication committee may -
 - (a) after consulting with the accounting officer, appoint an interim or a liquid chairperson in an event whereby the chairperson appointed by the accounting officer is absent.
- (9) Bid committees shall sit and appoint service providers within 21 days after the tender has closed.

27. Bid Specification Committee

- (1) A bid specification committee must compile the specifications for procurement of goods or services by the Chief Albert Luthuli Municipality.
- (2) Specifications –
 - (a) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) Must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; as amended in 2011 (for contract value of more than R 1 000 000, the 90/10 point system be used, and for contract value of less than R 1 000 000, the 80/20 point system be used, where 90&80 are for price and 10&20 are for BBBEE); and
 - (g) Must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the **Chief Albert Luthuli Municipality** preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
 - (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

28. Bid evaluation committees

- (1) A bid evaluation committee must –
 - (a) Evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) The points system set out in terms of paragraph 27(2)(f).
 - (b) Evaluate each bidder's ability to execute the contract;
 - (c) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and meet the requirements of the tender; and
 - (d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of-
 - (a) Officials from departments requiring the goods or services; and
 - (b) At least one supply chain management practitioner of the **Chief Albert Luthuli Municipality**.
- (3) Committee shall sit and submit a report to the Bid Adjudication Committee within 14 days after the tender has closed

29. Bid adjudication committees

- (1) A bid adjudication committee must –
 - (a) Consider the report and recommendations of the bid evaluation committee within 7 days of its receipt; and
 - (b) Either –
 - (i) Depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
 - (ii) Make another recommendation to the Accounting Officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least four senior Managers of the **Chief Albert Luthuli Municipality** which must include –
 - (a) The Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the Finance Department reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
 - (b) At least one senior Supply Chain Management practitioner who is an official of the **Chief Albert Luthuli Municipality**; and
 - (c) A technical expert in the relevant field who is an official, if such an expert exists.

- (3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
 - (a) if the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
 - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (ii) Notify the Accounting Officer.
 - (b) The Accounting Officer may –
 - (i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The Accounting Officer must comply with section 114 of the Act within 10 working days
- (8) The bid evaluation or adjudication committee may –
After consulting with the Accounting Officer, appoint an interim or a liquid chairperson in an event whereby the chairperson appointed by the Accounting Officer is absent.

30. Procurement of banking services

- (1) A contract for banking services -
 - (a) shall be procured through competitive bids;
 - (b) shall be consistent with section 7 of 85 of the Act; and
 - (c) shall not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services shall commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper or eTender in terms of section 22(1). Bids shall be restricted to banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990).

31. Procurement of IT related goods or services

- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties shall enter into a written agreement to regulate the services rendered by, and the payments to be made to SITA.
- (3) The accounting officer shall notify SITA together with a motivation of the IT needs if -

Supply Chain Management Policy

- (a) the transaction value of IT related goods or services required in any financial year shall exceed R50 million (VAT included); or
- (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments shall be submitted to the council, the national treasury, the relevant provincial treasury and the Auditor-general.

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

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

33. Procurement of goods necessitating special safety arrangements

- (1) The acquisition and storage of goods in bulk (other than water) which necessitates special safety arrangements, including gasses and fuel, shall be avoided wherever possible.
- (2) Where the storage of goods in bulk is justified, such justification shall be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and shall be approved by the accounting officer.

34. Proudly SA Campaign and EPWP Initiative

- (1) ~~(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
- (2) At least 40% of work should be subcontracted to Cooperatives where possible

35. Contract management

- (1) A contract or agreement procured through the supply chain management system shall be in writing, and shall stipulate the terms and conditions of the contract or agreement, which shall include provisions which allow for:
 - (a) the termination of the contract or agreement in the case of non- or under-performance;
 - (b) dispute resolution mechanisms to settle disputes between the parties; and
 - (c) a periodic review of the contract or agreement once every 3 years in the case of a contract or agreement for longer than 3 years.
- (2) The accounting officer shall:
 - (a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management system is properly enforced;

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- (b) monitor on a monthly basis the performance of the contractor under the contract or agreement;
 - (c) establish capacity in the administration to assist the accounting officer in carrying out the foregoing responsibilities, and in overseeing the day-to-day management of contractors and agreements; and
 - (d) regularly report to the council as the use may be on the management of the contract or agreement and the performance of the contractor.
- (3) A contract or agreement procured through the supply chain management policy may be amended by the parties, but only after 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.

36. Appointment of consultants

- (1) The accounting officer may procure consulting services provided that any treasury, ECSA and DWAF guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services shall 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 year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders shall furnish particulars of -
- (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy service provided to an organ of state in the last five years.
- (4) The accounting officer shall ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised by a consultant in the course of the consultancy service is vested in the municipality.

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

- (1) The accounting officer may -
- (a) dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only -
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (2) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

- (3) Deviations on contracts may be by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract; and if it is more than that it shall be approved by council.
- (4) all deviations must be reported to council.

38. Unsolicited bids

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if -
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (c) the person who made the bid is the sole provider of the product or serve; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subsection (2) of this policy, the decision shall be made public in accordance with section 21A of the Municipal Systems Act together with -
 - (a) reasons why the bid shall not be open to other competitors;
 - (b) and explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer shall submit all written comments received pursuant to subsection (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee shall consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid shall be open to the public.
- (7) When considering the matter, the adjudication committee shall take into account -
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer shall submit to the Auditor-General, the relevant provincial treasury and National Treasury the reasons for rejecting or not following those recommendations.

- (9) Such submission shall be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

39. Combating of abuse of supply chain management system

- (1) The accounting officer shall -
- (a) take all reasonable steps to prevent abuse of the supply chain management system;
 - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this policy, and when justified -
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - (d) reject any bid from a bidder -
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
 - (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
 - (f) cancel a contract awarded to a person if -
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
 - (g) reject the bid or any bidder if that bidder or any of its directors -
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No 12 of 2004).
- (2) The accounting officer shall inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subsections (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

40. Logistics management

- (1) The accounting officer shall establish and implement an effective system of logistics management, which shall include -
 - (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
 - (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
 - (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
 - (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

41. Disposal management

- (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act are as follows:
 - (a) Assets may be disposed of by -
 - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset and through auctioning; or
 - (iv) destroying the asset.
- (2) The accounting officer shall ensure that -
 - (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
 - (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated;
- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days where any of the local schools are interested in the equipment.

42. Disposal of capital assets

- (1) A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- (2) A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection (1), but only after the municipal council, in a meeting open to the public -
 - (a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
 - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- (3) A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.
- (4) A municipal council may delegate to the accounting officer of the municipality its power to make the determinations referred to in subsection (2)(a) and (b) in respect of moveable capital assets below a value determined by the council.
- (5) Any transfer of ownership of a capital asset in terms of subsection (2) or (4) shall be fair, equitable, transparent, competitive and consistent with the supply chain management policy which the municipality shall have and maintain in terms of section 111.

43. Risk management

- (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system are as follows:
 - (a) By appointing a qualified risk assessor on contract basis or as a consultant or permanently if possible.
- (2) Risk management shall include -
 - (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

44. Performance management

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

Part 4: Other matters

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

- (1) No award above R15 000 may be made in terms of this policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer shall first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subsection (1) be presumed to be out of order. It is therefore a responsibility of the prospective bidder to ensure that such tax matters are in order and shall remain his or her responsibility to provide supporting documentation required by the municipality.

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

- (1) Irrespective of the procurement process followed, no award may be made to a person in terms of this policy -
 - (a) who is in the service of the state;
 - (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - (c) a person who is an advisor or consultant contracted with the municipality.

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

- (1) The accounting officer shall ensure that the notes to the annual financial statements disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 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.

48. Ethical standards

- (1) A code of ethical standards as set out in the "*National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management*" is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote -
 - (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

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

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

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed of or to be disposed of may either directly or through representative or intermediary promise offer or grant -
 - (a) by inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to -
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this policy.
- (2) The accounting officer shall promptly report any alleged contravention of subsection (1) to the national treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, would be listed in the national treasury's database of persons prohibited from doing business with the public sector.
- (3) Subsection (1) does not apply to gifts less than R350 in value.

50. Sponsorship

- (1) The accounting officer shall promptly disclose to the national treasury and the relevant provincial treasury and 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 of or to be disposed.

51. Objections and complaints

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

52. Resolution of disputes, objections, complaints and queries

- (1) The accounting officer shall appoint an independent and impartial person, not directly involved in the supply chain management processes -
 - (a) to assist in the resolution of disputes between the municipality and other persons regarding -

- (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions efficiently.
- (3) The person appointed shall -
 - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
 - (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if -
 - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This section shall not be read as affecting a person's rights to approach a court at any time.

53. Contracts providing for compensation base on turnover

- (1) If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality shall stipulate -
 - (a) a cap on the compensation payable to the service provider; and
 - (b) that such compensation shall be performance based.

54. Bidders commitments

- (1) All prospective bidders of the municipality shall -
 - (a) declare abide to the mission and vision of the municipality and shall assist the municipality to realise and meet its objectives;
 - (b) after an award of any contract for more than R200 000, commit to a 1% social responsibility programme;
 - (c) ensure and promote good relations with all structures established in terms of the municipal processes, the Municipal Systems Act, and the Municipal Structures Act;
 - (d) promote the employment of local people, reimburse their services taking into consideration the minimum standards set by the Department of Labour through the Sectoral Determination Act.

55. Checking the list of restricted suppliers

- (1) The accounting officer shall verify the status of the recommended bidder with the National Treasury prior to awarding a contract.
- (2) A response shall be provided within one working day confirming whether the name provided has been listed as a person of company prohibited from doing business with the public sector.
 - (a) Such request shall be forwarded by e-mail to restrictions@treasury.gov.za
 - (b) Under no circumstances shall a contract be awarded to a provider whose name appears on the Treasury defaulters register.

56. Register for tender defaulters

- (1) The accounting officer shall keep a register of providers that have defaulted with the municipality in the past, stating reasons for defaulting in terms of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No 12 of 2004).
 - (a) The accounting officer shall reject any bid if that bidder or any of its directors has been listed in the Register for Tender Defaulters of treasury.
 - (b) The register determines the period, which may not be less than five years or more than 10 years, for which the convicted provider shall be prohibited from doing business with the public sector;
 - (i) if the period determined by the register has expired, the convicted provider would be prohibited from doing business with the public sector.

57. Commencement

This policy took effect on 1 July 2007 and has been reviewed annually with latest review in 2018.

ANNEXURE 1

1. Code of Conduct for Supply Chain Management Practitioners and other Role Players

The purpose of this code of conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in fair and reasonable manner.

- (1) The municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (supply chain management) are in a position of trust, implying a duty to act in the public interest. Officials and other role players shall not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.
- (2) Officials and other role players involved in supply chain management shall ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies, and guidelines. They shall ensure that public resources are administered responsibly.
- (3) Officials and other role players involved in supply chain management shall be fair and impartial in the performance of their functions. They shall at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They shall not abuse the power and authority vested in them.

2. Conflict of interest

- (1) An official or other role player involved with supply chain management –
 - (a) shall treat all providers and potential providers equitably;
 - (b) may not use his/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;
 - (d) shall 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) shall declare to the accounting officer details of any private business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any reward of a contract by the municipality;
 - (f) shall 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) shall declare any business, commercial and financial interest or activities undertaken for financial gain that may raise a possible conflict of interest;
 - (h) shall not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
 - (i) shall not take improper advantage of their previous office after leaving their official position.

Supply Chain Management Policy

3. Accountability

- (1) Practitioners are accountable for their decisions and actions to the public.
- (2) Practitioners shall use public property scrupulously.
- (3) Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and/or services.
- (4) All transactions conducted by a practitioner shall be recorded and accounted for in an appropriate accounting system. Practitioners shall not make any false or misleading entries into such a system for any reason whatsoever.
- (5) Practitioners shall assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- (6) Practitioners shall report to the officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (a) any alleged fraud, corruption, favouritism or unfair conduct;
 - (b) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities, officials or other role players;
 - (c) any alleged breach of this code of conduct.
- (7) Any declarations made shall be recorded in a register which the accounting officer shall keep for this purpose. Any declarations made by the accounting officer shall be made to the mayor who shall ensure that such declaration is recorded in the register.

4. Openness

- (1) Practitioners shall be as open as possible about all the decisions and actions that they take. They shall give reasons for their decisions and restrict information only if it is in the public interest to do so.

5. Confidentiality

- (1) Any information that is the property of the municipality or its providers shall be protected at all times. No information regarding any bid/contract contractor may be revealed if such an action shall infringe on the relevant bidder's/contractor's personal rights.
- (2) Matters of confidential nature in the possession of officials and other role players involved in supply chain management shall be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in supply chain management after separation from service.

6. Bid Specification / Evaluation / Adjudication Committees

- (1) Bid specification, evaluation and adjudication committees shall implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- (2) Bid evaluation/adjudication committees shall be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

- (3) All members of bid adjudication committees shall be cleared by the accounting officer at the level of "CONFIDENTIAL" and shall be required to declare their financial interest annually.
- (4) No person shall –
 - (a) interfere with the supply chain management system of the municipality; or
 - (b) amend or tamper with any price quotation/bid after its submission.

7. Combative Practices

- (1) Combative practices are unethical and illegal and shall be avoided at all cost. They include but are not limited to:
 - (a) suggestions to fictitious quotations;
 - (b) reference to non-existent competition;
 - (c) exploiting errors in price quotations/bids;
 - (d) soliciting price quotations/bids from bidders/contractors whose names appear on the Register of Tender Defaulters.

ANNEXURE 2

SUPPLY CHAIN MANAGEMENT PROCEDURE MANUAL

PART 1 DOCUMENTS USED

Requisition form – this document is used to convey to the supply chain unit, that goods and services are required. It can be initiated in any department and sent to the Supply chain management unit,

Tender Register – this document is used to register all tenders received

Stores requisition – this document is used to request items from the stores in contact with the end user department.

Requisition book – this document is used to request items that are not in the Stores (warehouse) from the buying unit in contact with the end user department.

Order – which are completed by the buying department, record the detail and price of the goods to be purchased and is addressed to the supplier. It should be signed by the Buyer (if above R30 000, by the Manager)

Supplier Delivery Note – this document is made out by the supplier and details the goods which are being supplied. It will be cross referenced to the Order and on delivery of the goods and services will be signed by the stores to acknowledge the receipt of the goods and services.

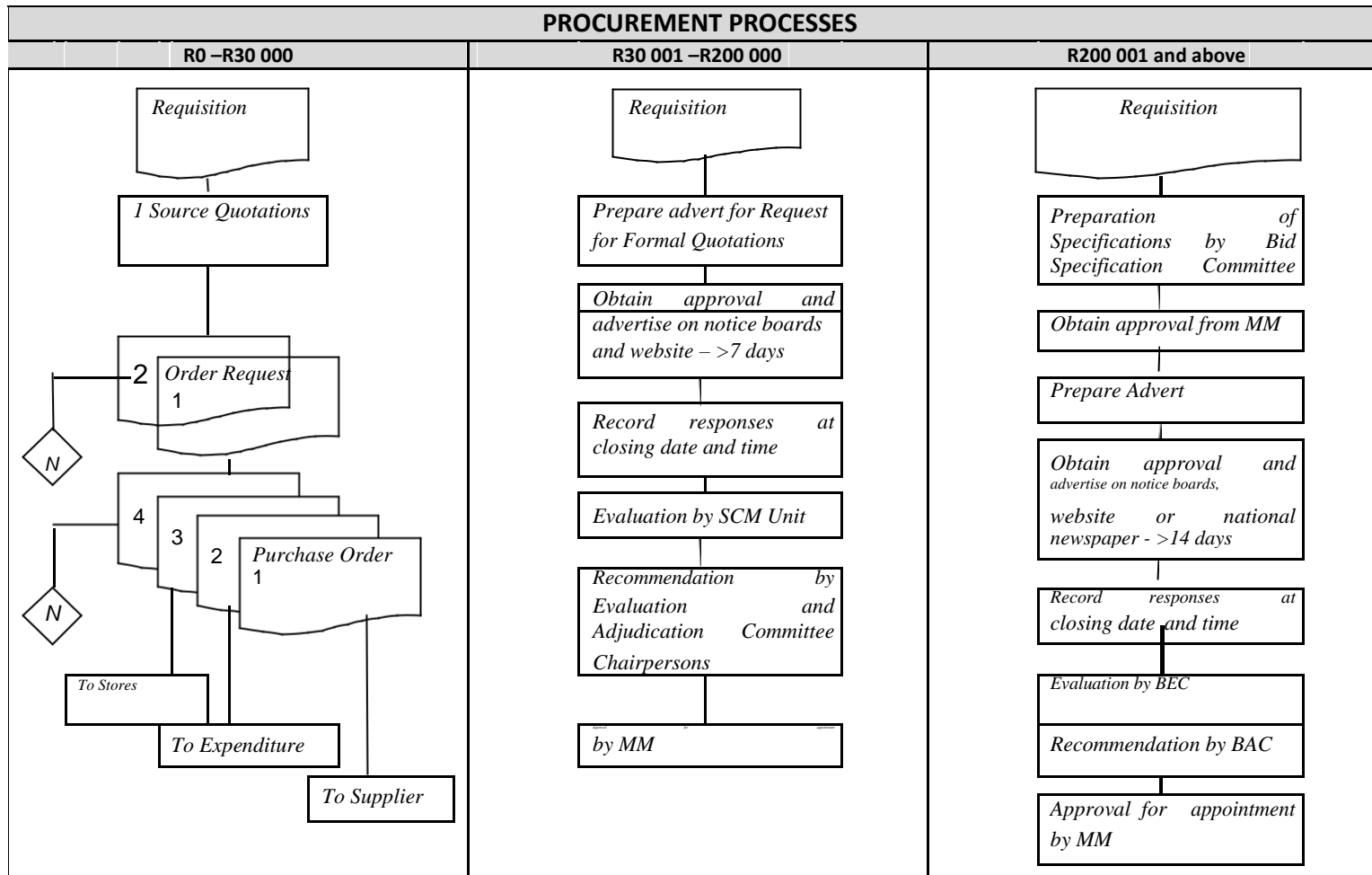
Goods Receive Note (book) – this document is completed by the stores when goods are delivered by the supplier. It is cross referenced to the supplier's delivery note

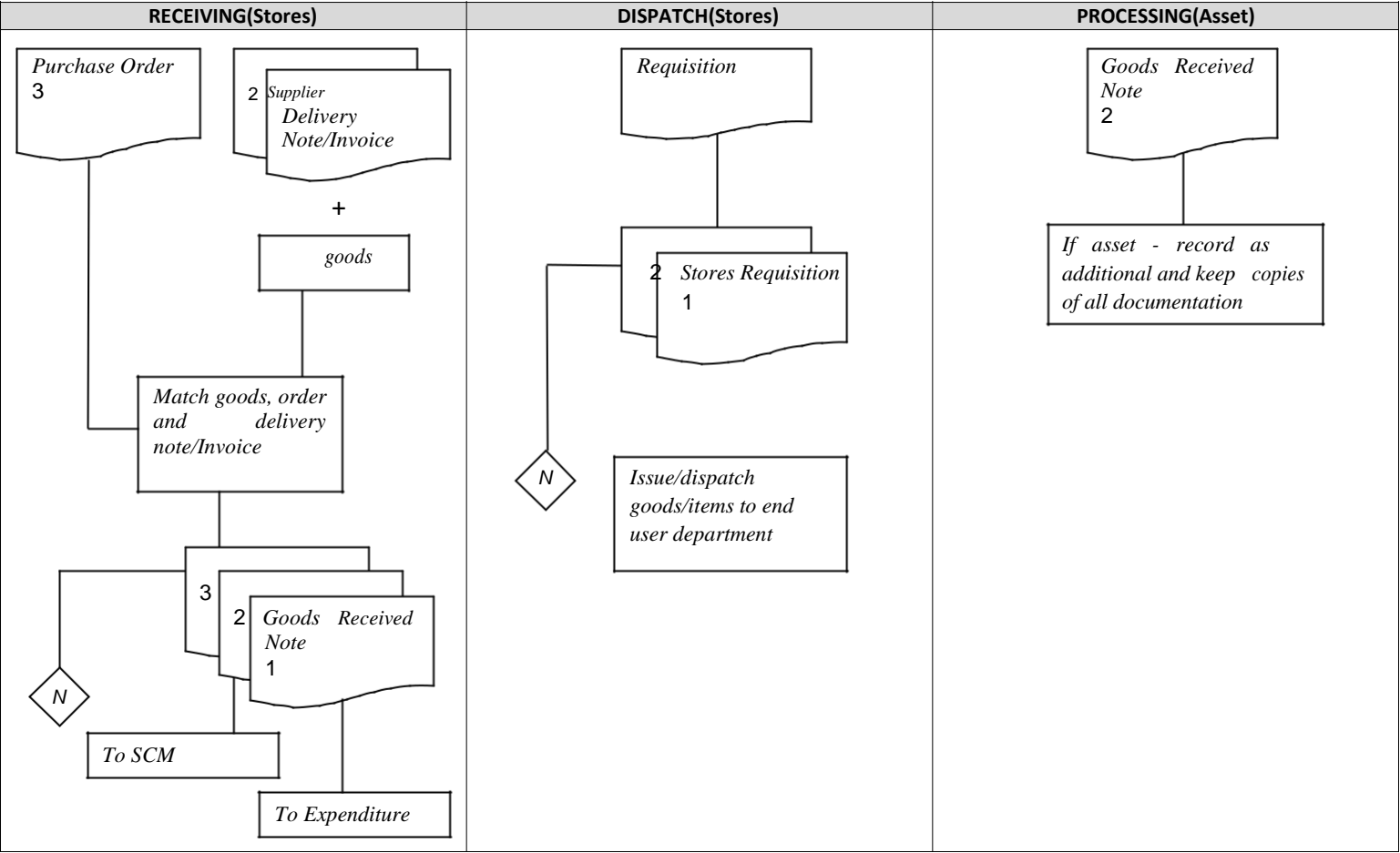
Invoice – this document is sent by the supplier to the Supply Chain Management Unit to inform of the goods and services for which it is being charged, the price, any discounts and VAT.

Procurement Checklist – this document is used to ensure that all the above relevant documents are attached accordingly as required.

Deviation form – this document is used to request for approval for deviating from the SCM Policy

Tender Documents – these documents are used during the bidding process





PART 2 MANAGEMENT OF PROCUREMENT REQUIREMENTS

All requests for the procurement of goods and services shall be submitted by the heads of departments concerned to Supply Chain Management Section. All requests shall be in writing (signed memorandum and requisition form), shall clearly specify the nature and, where applicable, quantity or duration, as the case may be, of the goods and services required, and shall be signed by the head of department concerned or by a senior official in the department designated by the head of department for this purpose. Each department should have a procurement coordinator that will deal directly with SCM on procurement issues (i.e. Administrators, Secretary of the department)

2.1 Quotations (R0 – R200 000)

SCM will see if requested items can be found in the stores or not, if not then will outsource that service, taking into account the SCM procurement levels as stipulated in paragraph 12 of the SCM Policy.

The supply chain management section shall manage procurement requisitions for amounts estimated not to exceed R200 000 including VAT by calling for quotations taking into account procurement levels stipulated in paragraph 12 of the SCM Policy.

The request for such quotations shall be prepared by the supply chain section, and shall be prominently displayed on the municipality's website, notice boards in all municipal offices and on the notice board provided for the purpose of displaying quotations and tenders in the supply chain section.

Notices calling for quotations shall indicate the closing date and time for the submission of quotations, and such closing date shall be at least 7 (seven) days after the date on which the request for quotations is first displayed.

For a quotation to be considered, it must be in writing, be signed by a person with the necessary authority to act on behalf of the prospective supplier, substantially comply with the specification set out in the notice calling for quotations, be received by the supply chain section on or before due date and time, and be accompanied by a recent municipal rates and service charges account, a valid tax clearance certificate issued by the South African Revenue Service, B-BBEE Certificate issued by an accredited institution and the completed municipal bid forms, as prescribed by the accounting officer.

2.2 Tenders (R200 000 and above)

The supply chain management section shall manage procurement requisitions for amounts estimated to be in excess of R200 000 including VAT by calling for tenders. The request for such tenders shall be prepared by the supply chain management section, shall be prominently displayed on the municipality's website, all the notice boards, referred to under part 2.1 above, newspaper or eTender website and shall additionally be advertised on CIDB website where the tender has CIDB requirements. Notices calling for tenders shall comply with all the requirements indicated for quotations under part 2.1 above, except that the closing date shall be at least 14 (fourteen) days or 30 days (for value above R10million) after the date on which the call for tenders is first displayed or advertised.

For a tender to be considered it must comply with all the requirements indicated for quotations under part 2.1 above, except that a tender must be placed in the tender box provided for this purpose, the location of which shall be clearly specified in the relevant notice calling for tenders.

The chief financial officer shall ensure that such tender boxes are sealed until the date and time of their official opening, and that they are properly secured at the time.

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

The relevant notice may also specify that a non refundable fee, as determined from time to time by the council, is payable in order to obtain such documentation

2.3 Quotations and Tenders Not to Specification

Notwithstanding the above-stipulated requirements for consideration, tenders which are not to specification may be considered, but only if no tenders are received which substantially comply with the specification upon recommendation by the bid committees and approval by the accounting officer. For quotations, consideration as per above can be given upon recommendation and approval by parties as per the SCM Policy.

2.4 Use of Database of Suppliers

The supply chain management section shall at least annually, by notice and advertisement as for tenders under part 2.2 above, request prospective suppliers, either generally or for specified ranges of goods and services, to submit their names and other relevant details to the procurement section for inclusion in a database of suppliers. The database should be updated at least quarterly. Such details shall include an indication of the goods and services normally provided.

The procurement section shall then, in addition to the communication processes specified under parts 2.1 and 2.2 above, forward – either electronically or by facsimile – copies of any notices of quotations and tenders to the relevant suppliers. However, failure by the procurement section to forward such notices or the non-receipt of such notices by any supplier shall not invalidate the procurement process. The onus remains on the prospective suppliers to apprise themselves of the municipality's requirements as indicated in the prescribed communication processes set out under parts 2.1 and 2.2 above, and the additional notification by virtue of the supplier's being included in the database of suppliers shall be viewed simply as a courtesy on the part of the municipality.

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

PART 3 ADJUDICATION OF QUOTATIONS AND TENDERS

Notwithstanding any of the requirements set out below, the municipality shall not be obliged to accept any quotation or tender received.

3.1 Quotations

After all the requisitions have been processed and quotations have been received, will then evaluate the quotations as per paragraph 18(f) of the SCM Policy.

All quotations to the value of R30 000 shall be evaluated and adjudicated by the supply chain section. The lowest quotation substantially to specification shall be accepted, taking into account the municipality's preferential procurement requirements as set out, provided the municipality is satisfied that it offers acceptable value for money for the municipality.

If no quotation is substantially to specification, the lowest quotation which is closest to specification shall be accepted, provided the municipality is satisfied that it offers acceptable value for money for the municipality, and provided further – if the goods or services concerned are being procured for a specific department or departments – that the head(s) of such department(s) concur(s) with such acceptance.

The supply chain management shall fill the requisition for order form and forward it for approval by the head of department concerned, chief financial officer and accounting officer depending on the amount charged for the service.

Quotations of value above R30 000 to R200 000 shall be evaluated by the supply chain management, recommended by the end user department, adjudicated by the chief financial officer and approved by the accounting officer, as per paragraph 18 of the SCM Policy

3.2 Tenders

All tenders with an estimated value exceeding R200 000 excluding VAT, shall be adjudicated by the tender committee, as established in terms of part 4 below, and approved by the municipal manager, acting on the written reports and recommendations of the tender committee.

The lowest tender substantially to specification shall be accepted, taking into account the municipality's preferential procurement requirements as set out in part 5 below, provided the adjudicating authority is satisfied that it offers acceptable value for money for the municipality.

If no tender is substantially to specification, the adjudicating authority may recommend acceptance of the lowest tender which is closest to specification, provided the adjudicating authority is satisfied that it offers acceptable value for money for the municipality as stated in paragraph 2.4 above.

PART 4 TENDER COMMITTEE

The municipal manager shall establish a tender committee in accordance to paragraph 26 – 29 of the SCM Policy, to undertake the adjudicating functions set out in part 3.2 above.

PART 5 PRINCIPLES OF ADJUDICATION

For all tenders with an estimated value above R50 million (fifty million rand) including VAT, preference points will be allocated as follows:

	POINTS
Lowest price substantially to specification	90
B-BBEE status level	10
Total	100

For all tenders and quotations with an estimated value below R50 million (fifty million rand) excluding VAT, preference points will be allocated as follows:

	POINTS
Lowest price substantially to specification	80
B-BBEE status level	20
Total	100

B-BBEE Status Level of Contributor	Number of Points > R 50 million	Number of Points < R 50 million
1	10	20
2	9	18
3	6	14
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non-Compliant Contributor	0	0

Where purely local goods are tendered or quoted for, compliance with the requirements of the South African Bureau of Standards shall be a prerequisite for the consideration of the quotation or tender concerned.

“To specification “ in the case of services to be provided to or works to be undertaken for the municipality shall include the furnishing of satisfactory proof of the skills and resources required to execute the bid.

PART 6 PRE-QUALIFICATION PROCEDURES

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

PART 7 GUARANTEES AND RETENTIONS

In the case of tenders for the undertaking of works on behalf of the municipality and with a value equal to or exceeding R1 000 000 (one million rand), the successful tenderer may lodge with the chief financial officer a guarantee, issued by an acceptable registered institution , for a sum equal to 60% of the agreed or estimated tender price. Such guarantee shall be lodged within one calendar month from the date on which the tender is awarded, and shall thereafter be managed in terms of the contract entered into between the municipality and the successful tenderer.

In the case of tenders where a performance guarantee as envisaged above is not required, the chief financial officer shall withhold payment of an amount equal to 10% (ten per centum) of the value of the actual goods or service supplied by the appointed contractor until the chief financial officer is satisfied that the contract has been satisfactorily executed, but provided that such final payment shall not be withheld for a period exceeding 6 (six) calendar months from the date on which final payment was due to the contractor.

PART 8 EMERGENCIES

An emergency shall be considered as an unforeseeable and sudden event, with materially harmful or potentially materially harmful consequences for the municipality, and which requires urgent action to address.

In cases where the municipal manager determines that an emergency has arisen, the municipal manager may direct that the periods for advertising quotations or tenders, as stipulated in parts 2.1 and 2.2 above, be curtailed to the extent that the municipal manager deems appropriate. Where the estimated value of the goods or services to be supplied to cater for such emergency exceeds R1 million (one million rand) excluding VAT, the municipal manager may approve such tender on behalf of the council, but provided the executive mayor or the chairperson of the executive committee, as the case may be, concurs with the view of the municipal manager that the tender must be approved to address an emergency.

PART 9 PROHIBITED ACTIONS

No head of department in placing a requisition for goods or services to be procured by quotation or tender shall knowingly understate the requirements or the estimated value of the requirements with the intention of avoiding the more stringent process prescribed for requirements of a higher value.

The municipal manager shall promptly institute disciplinary action against any head of department suspected of infringing this requirement.

No councillor or official shall engage in any contact with a prospective supplier in respect of any quotation or tender which such supplier intends to submit with the purpose of influencing any aspect of such quotation or tender.

PART 10 SALES OF GOODS

In seeking to dispose of any fixed assets, the chief financial officer shall adhere to the requirements of the municipality's policy of disposal on the management of and accounting for fixed assets, including the legal prescription annexed to that policy.

The chief financial officer shall determine in each instance having regard to the nature and estimated resale value of the assets whether it is more advantageous for the municipality to dispose of the assets in

question by means of the invitation of tenders or quotations or by public auction. Notification of such intended sales shall follow the communication process prescribed for tenders in part 2.2 above, with the various notices and advertisements stating the date and time on which tenders will close for acceptance or the date, time and venue of the auction, as the case may be, as well as the date(s) and venue(s) where prospective tenderers may view the assets.

All tenders for sales of fixed assets shall be adjudicated by the tender committee under chairpersonship of the municipal manager, and shall be approved by the council on the recommendation of such committee. The highest tender substantially to specification shall be accepted, except if the adjudicating authority believes that no tender is satisfactory in terms of value for money offered.

In seeking to dispose of any stores or other items other than fixed assets, the chief financial officer shall adhere to the communication requirements prescribed for quotations. The chief financial officer shall further determine whether it is more advantageous for the municipality to dispose of the items by means of tenders or quotations or public auction, and shall in either case publish the notification of such sales in terms of the communication process prescribed in part 2.1 above. If the chief financial officer considers it necessary, such notification may also be made by means of advertisements in the local and national press.

Where stores or other items other than fixed assets are sold by means of tenders or quotations, the chief financial officer shall adjudicate and approve the quotations received. The highest quotation substantially to specification shall be approved, except if the chief financial officer believes that no quotation is satisfactory in terms of value for money offered.

PART 11 REPORTING

All approved quotations shall be listed on the municipality's website and on the notice boards referred to in parts 2.1 and 2.2 above. Quotations approved during any particular calendar week shall be listed from the beginning of the following calendar week, and shall be displayed for the duration of that week.

All approved tenders shall be listed as for quotations, but shall be listed for 2 (two) calendar weeks.

PART 12 APPEALS

Suppliers who are dissatisfied with the decision of the municipality in regard to any quotation or tender may appeal in writing to the municipal manager, provided such appeal is lodged with the municipal manager as follows:

- for quotations, within 7 (seven) calendar days of the date on which the approved quotation is first listed in terms of part 11 above
- for tenders, within 14 (fourteen) calendar days of the date on which the approved tender is first listed in terms of part 11 above.

The municipal manager shall provide written acknowledgement of the receipt of such appeals to the appellant concerned, and shall endeavour to finalise such appeals within 7 (seven) calendar days of their receipt. Where this is not possible, the municipal manager shall promptly advise the appellant in writing of the reasons for the delay.

If the appeal is based on a technically complex matter, the municipal manager may engage an impartial consultant to provide an opinion on the appeal, provided that sufficient budget provision exists for the expenditure to be incurred, and provided further that the municipal manager shall not be bound by any such opinion provided.

The municipal manager shall immediately after a ruling on an appeal has been made, advise the appellant in writing of such ruling.

If the appellant is dissatisfied with the municipal manager's ruling on an appeal in regard to a tender the appellant may request the municipal manager to refer such appeal and ruling to the ensuing council meeting for a decision. Such request must be lodged in writing with the municipal manager within 14 (fourteen) calendar days of the date on which the ruling was made.

The municipal manager shall decide whether the lodging of an appeal constitutes sufficient grounds for the municipality to delay, where possible, the procurement of the relevant goods or services in terms of the approved quotation or tender against which the appeal is lodged. If such delay is decided upon, the municipal manager shall immediately advise the approved supplier, in writing, of such delay.

PART 13 PAYMENTS AND INVOICING

All invoices for goods and services should be received by the stores and shall be submitted for payment within 5 days of receipt to the expenditure section.

All invoices pertaining to contracts managed by departments other than the finance department, shall be certified as in order for payment by the head of department concerned before being submitted to the procurement section.

PART 14 STORES (MATERIALS) MANAGEMENT

All goods procured by the municipality shall be delivered to and receipted by the stores, except if the chief financial officer, with the concurrence of the head of department concerned, directs that such goods shall be delivered to a specified site or to the sub-store maintained by the department concerned.

The procedures and charges for requisitioning goods from stores shall be determined from time to time by the chief financial officer, and shall be notified to all departments by means of departmental circulars.

Stock levels shall be determined by the chief financial officer, in compliance with the municipality's banking and investment policy, and where applicable in consultation with the head of department concerned.

Council, subject to any special trusts in their deeds of title and upon conditions not at variance therewith.