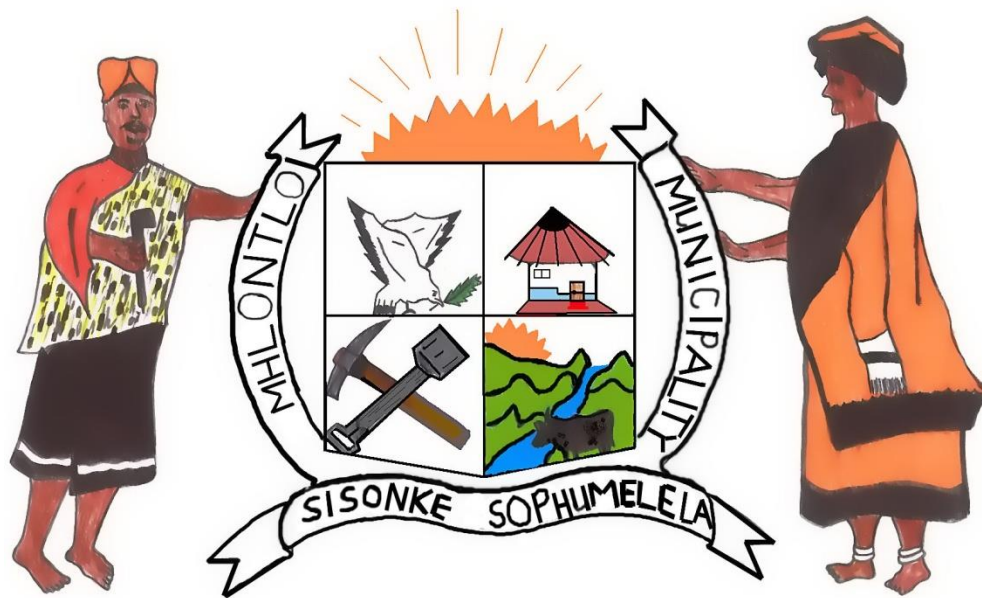


SUPPLY CHAIN MANAGEMENT POLICY



JUNE 2016
MHLONTLO LOCAL MUNICIPALITY

1. Preamble

Whereas the dynamic nature of the Mhlontlo Local Municipal Council's business requires a commitment to establishing the responsibility for a network of processes with the objective of controlling the operations of the organization in a manner which provides the Accounting Authority reasonable assurance that:

- a) The Council's resources (including its people, systems and data/information bases) are adequately protected.
- b) Data and information published either internally or externally is accurate, reliable and timely
- c) Resources are acquired economically and employed cost effectively and efficiently; quality business processes and continuous improvement are emphasized.
- d) The actions of Municipal Officials are in compliance with the Municipality's policies, standards, plans, procedures and all relevant laws and regulations and
- e) The Municipality's plans, programs, goals, and objectives are achieved.

Whereas this document serves as a basis for sound action by Municipal Officials in the execution of their daily duties with respect to financial management and control within the Municipality. The Municipal Manager and delegated officials remain accountable for the implementation and monitoring adherence to these policies and procedures

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

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

Whereas these policies are implemented within the hereunder mentioned:

1. Control Objectives

- i) All transactions made are completely and accurately recorded.
- ii) All recorded transactions are valid.
- iii) Rights / obligations of assets / liabilities are recorded.
- iv) All transactions are recorded at correct amount.
- v) All assets exist.
- vi) Credits granted are valid and recorded accurately.
- vii) Recorded transactions are processed properly.
- viii) Proper close off of accounting sub-systems has been achieved.
- ix) All transactions are properly and promptly recorded.
- x) Adequate provision for doubtful debts is made.
- xi) Basis of accounting used is consistent

And whereas the following control activities need to be incorporated in the financial management procedures:

1. An appropriate organizational structure is required to ensure that all financial activities occur in a structured manner. Clear accountability should be determined.
2. It is essential that segregation of the functions and or activities of *execution, approval, custodianship and review* should be achieved.
3. Procedures must clearly dictate physical controls and limitations placed on individuals to assist with segregation of duties to ensure appropriate control environment and safeguarding of assets.
4. All transactions must be approved and authorized by the appropriate responsible and delegated Municipal Official.

Be it therefore enacted in terms of the council resolution.

Date

Honorable Mayor

SUPPLY CHAIN MANAGEMENT POLICY

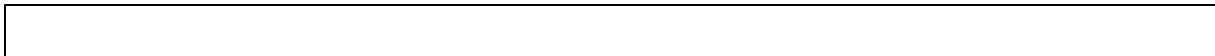


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1. Definitions

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-

“Accounting officer” means the Municipal Manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and being the head of administration and accounting officer in

terms of section 60 of the Local Government: Municipal Systems Act 2000 (Act No.32 of 2000)

“Adjudication points” means the points for price and points for the B-BBEE contribution referred to in the Preferential Procurement Regulations, 2011 and the Preferential Procurement section of this policy, also referred to as “evaluation points”.

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

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

“B-BBEE” means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.

“B-BBEE Status Level of Contributor” means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.

“Bid/ tender” means a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals.

“Bidder/ tenderer” means any person submitting a competitive bid or a quotation.

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

“Capital Asset” means:

any immovable asset such as land, property or buildings; or

any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment.

“Chief financial officer” means an officer of a municipality designated by the municipal manager in terms of section 80(2) (a) of the MFMA; to be administratively in charge of the budgetary and treasury functions

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

“Comparative Price” means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration.

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

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

“Community Based Vendor” means a supplier of goods, services and/or construction works who resides in a target area or community, who meets the criteria for community based vendors as determined by the Director: Supply Chain Management from time to time, and who is registered as such on the Municipality’s Supplier database.

“Consortium” also referred to as a “Joint Venture”.

“Construction Works” means any work in connection with:

the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure;

the installation, erection, dismantling or maintenance of a fixed plant;

the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or

the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.

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

“Contract” means the agreement which is concluded when the Municipality accepts, in writing, a competitive bid or quotation submitted by a supplier.

“Contractor” means any person or entity whose competitive bid or quotation has been accepted by the Municipality.

“Contract participation goal” the value of the participation of a specific target group that a contractor must achieve in the performance of a contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.

“Day(s)” means calendar days unless the context indicates otherwise.

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

“delegation”, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty’

“Evaluation of Bids” in respect of bids that exceed R200 000, shall be deemed to take place when the Bid Evaluation Committee meets to make a recommendation to the Bid Adjudication Committee.

“Evaluation Points” also referred to as “Adjudication Points”.

“Exempted Capital Asset” means a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section.

“Exempted Micro Enterprise” means a bidder with annual total revenue of R5 million or less (in terms of the Broad-Based Black Economic Empowerment Act).

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

“financial year” means a twelve months period commencing on 1 July and ending on 30 June each year

“Firm Price” means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.

“Formal Written Price Quotation”, “Written Price Quotation”, “Quotation” or “Quote”: means a written or electronic offer to the Municipality in response to an invitation to submit a quotation. Also referred to as “Bids”.

“Functionality” means the measurement according to predetermined norms, as set out in the bid or quotation documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder. “Functionality” is also referred to as “Quality”.

“fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised

“in the service of the state” means to be-

- (a) a member of-
 - (i) any municipality 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.

“irregular expenditure” means-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) Expenditure incurred by a municipality or municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998(Act No.20 of 1998); or
- (d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorized expenditure”

“Joint Venture or Consortium” means an association of persons formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The Joint Venture must be formalised by agreement between the parties.

“long term contract” means a contract with a duration period exceeding one year/ 12 months;

“Municipality” means the municipality of the Mhlontlo Local Municipality or any person(s) or committee delegated with the authority to act on its behalf.

“Non-compliant Contributor” means a person who does not meet the minimum score to qualify as a status level 8 B-BBEE Contributor, or a person who is not verified in terms of the required Sector Charter.

“Non-exempted Capital Asset” means a municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section.

“Non-firm Prices” means all prices other than “firm” price.

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

- (a) the *Prefential Procurement Policy Framework Act*, 2000 (Act, No.5 of 2000);
- (b) the *Board-Based Black Economic Empowerment Act*, 2003 (Act. No.53 of 2003); and
- (c) the *Constitution Industry Development Board Act*, 2000 (Act No.38 of 2000) and includes regulations pertaining thereto;

“Person” includes a natural or legal entity.

“Policy” means this Supply Chain Management Policy as amended from time to time.

“Preference points” means the points for preference referred to in this Policy.

“Preferential Procurement Regulations” means the regulations pertaining to the PPPFA

“regulation” means the Local Government: Municipal Supply Chain Management Regulations;

“Stipulated Minimum Threshold” means that portion of local production and content as determined by the Department of Trade and Industry.

“Sub-contract” means the prime contractor’s assigning, leasing, making out work to, or employing, another person to support such prime contractor in the execution of part of a project in terms of the contract.

“Sub-contractor” means any person that is assigned, leased, employed or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.

“Supplier/Vendor” are generic terms which shall include suppliers of goods and services, contractors and/or consultants.

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

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

“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);

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

“written or verbal quotation” means quotations referred to in paragraph 12(1)(b) of this policy

2. INTRODUCTION

Supply chain management policy

- (1) The Mhlontlo Local Municipality resolve in terms of section 111 of the Act to have and implement a supply chain management policy that-
 - (a) gives effect to-
 - (1) section 217 of the Constitution; and
 - (2) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with-
 - (3) the regulatory framework prescribed in Chapter 2 of the Regulations; and
 - (4) any minimum norms and standards that shall 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) The municipality shall not act otherwise than in accordance with this supply chain management policy when-
- (a) procuring goods or services;
 - (b) disposing of goods no longer needed;
 - (c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) in the case of a municipality, selecting external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provisions of municipal services in circumstances contemplated in section 83 of that Act.
- (3) Sub-paragraphs (1) and (2) of this policy do not apply in the circumstances described in section 110(2) of the Act except where specifically provided otherwise in this policy.

3. Adoption and amendment of the supply chain management policy

- (1) The accounting officer must-
 - (a) at least annually review the implementation of this policy subject to adoption by the council; 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 a draft policy to the council that differs from the model policy, the accounting officer must ensure such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

- (3) When amending this supply chain management policy, the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management system for small businesses must be taken into account.
- (4) The accounting officer of a municipality must in terms of section 62(1) (f) (iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

4. Delegation of supply chain management power and duties

(1) (a) The council hereby delegates such additional powers and duties to the accounting officer so as to enable the accounting officer–

(i) to discharge the supply chain management responsibilities conferred on accounting officers in terms of–Chapter 8 or 10 of the Act and the supply chain management policy

(ii) to maximize administrative and operational efficiency in the implementation of the supply chain management policy;

To ensure

(iii) to enforce reasonable cost–effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of the supply chain management policy; and

(iv) 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 sub–paragraph (1) of this policy.

(3) The council or accounting officer shall not delegate or sub–delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.

- (4) This paragraph shall not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

5. Sub-delegations

- (1) The accounting officer shall, in terms of section 79 or 106 of the Act, sub-delegate any supply chain management powers and duties in writing, including those delegated to the accounting officer in terms of this policy, but any such sub-delegation must be consistent with sub-paragraphs (2) and (4) of this policy.
- (2) The power to make a final award—
- (a) Above R10 million (VAT included) shall not be sub-delegated by the accounting officer
 - (b) above R2 million (VAT included) but not exceeding R10 million (VAT included) shall be sub-delegated but only to : (i) the CFO
 - (ii) Senior managers
 - (iii) Bid adjudication committee of which the CFO or senior manager is a member of
 - (c) above R200 000,00 (VAT included) but not exceeding R2 million (VAT included), shall be sub-delegated but only to—
 - (i) the CFO;
 - (ii) A Senior Manager
 - (iii) A manager directly accountable to the chief financial officer, or
 - (iii) A bid adjudication committee.
- (3) An official or bid adjudication committee to which the power to make the final awards has been sub-delegated in accordance with sub-paragraph 2 of this policy must within five days of the end of each month submit to the official referred to in sub-paragraph (4) of this

policy 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 sub-paragraph (3) of this policy must be submitted-

to the accounting officer, in the case of an award by-

- (i) the CFO or a senior manager; or
- (ii) a bid adjudication
- (iii) a manager directly accountable to the CFO.

(5) Sub-paragraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

(6) This paragraph shall 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 systems provided for in paragraph 21 of this policy.

(7) No supply chain management decision-making powers shall be delegated to an advisor or consultant.

6. Oversight role of council

(1) The council must maintain oversight over the implementation of this supply chain management policy.

(2) For the purposes of such oversight, the Accounting officer must-

- (i) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality to the council of the municipality.

- (ii) whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council.
- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Mayor.
- (4) The report must be made public in accordance with section 21A of the Municipal Systems Act.

7. Supply chain management unit

- (1) The accounting officer must establish a supply chain management unit to implement this supply chain management policy.
- (2) The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

8. Training of supply chain management officials

The training of officials involved in implementing the supply chain management policy should be in accordance with any Treasury guidelines on supply chain management training.

9. Format of supply chain management

This supply chain management policy provides systems for–

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

Part (i)

Demand management

10. System of demand management

- The accounting officer must establish and implement an appropriate demand management system to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- The demand management system must –
 - 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;
 - Take into account any benefits of economies of scale that shall be derived in the case of acquisitions of a repetitive nature; and
 - Provide for the compilation of the required specifications to ensure that its needs are met.
 - To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

Part (ii)

Acquisition management

11. System of acquisition management

- (1) The accounting officer must establish, through operational procedures, an effective system of acquisition management in order to ensure–
 - (a) that goods and services are procured by the municipality in accordance with authorized processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of any applicable legislation; and
 - (d) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in Section 110(2) of the Act, including–
 - (a) water from the Department of Water Affairs or a public entity; and
 - (b) electricity from Eskom or another public entity, another municipality or municipal entity.
- (3) The following information must be made public wherever goods and services contemplated in Section 110(2) of the Act are procured other than through the supply chain management system–
 - (a) the kind of goods or services; and

- (b) the name of the supplier.

12. Range of procurement processes

- (1) The procurement of goods and services through this policy is provided by way of-
 - (a) petty cash purchases, up to a transaction value of R2 000.00 (VAT included);
 - (b) written or verbal quotations for procurements of a transaction value over R2 000.00 up to R10 000.00 (VAT included);
 - (c) formal written price quotations for procurements of a transaction value over R10 000.00 up to R200 000.00 (VAT included); and
 - (d) a competitive bidding process for-
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.

- (2) The accounting officer shall, in writing:-
 - (a) Lower but not increase, the different threshold values specified in sub-paragraph (1); or
 - (b) direct that:-
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000.00;
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000.00; or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.00.

- (3) Goods or services shall 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 as far as possible be treated and dealt with as a single transaction.

13. General pre-conditions for consideration of written quotations or bids

A written quotation or bid shall not be considered unless the provider who submitted the quotation or bid-

- (a) has furnished that provider's-
 - (i) full name;
 - (ii) identification number of company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
- (b) provides the municipality with a tax clearance from the South African Revenue Services stating that the provider's tax matters is in order;
- (c) provides the municipality with a certificate from the local municipality stating that the provider's account is up to date; and
- (d) has indicated-
 - (i) whether he / 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 stakeholders are in the service of the state, or have been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-paragraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

The use of the Central Supplier database

On the 12th of November 2014 the Cabinet resolved that the Office of Chief Procurement should accelerate SCM reform by modernizing the procurement function.

The Accounting Officer should ensure that Supply Chain and other officials utilize the CSD.

As per National Treasury ,with effect from 1 July 2016, Municipalities and Municipal Entities must use the CSD supplier number starting with (MAAA) which is auto generated by the Central Database System after successful registration and validation of the prospective provider as mandatory requirement as part of listing criteria for accrediting prospective provider in line with Section 14(1)(b) of the Municipal Supply Chain Management Regulations.

The Central Supplier Database (CSD) system functions as a single database to serve as the source of all supplier information for national-, provincial- and local government as well as State Owned Entities (SOE's).

All suppliers are encouraged to register on the Central Supplier Database (CSD) as matter of urgency. The CSD is a self- registration process, which can be completed online.

Suppliers can go to the following web address to register www.csd.gov.za.

14. Lists of accredited prospective providers

- (1) The accounting officer must-
 - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality through written or verbal quotations and formal written price quotation; and
 - (b) at least once a year through newspaper commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods and services to apply for evaluation and listing as accredited prospective providers;
 - (c) specify the listing criteria for accredited prospective providers, and
 - (d) disallow the listing of any prospective provider whose name appear on the National Treasury's database as a person prohibited from doing business with the public sector.

- (e) Disallow procurement of goods and services from suppliers who have previously defaulted the municipality.
 - (f) Develop a list of all defaulters and report them to National Treasury and to the Council
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.

15. Petty cash purchases

The accounting officer must establish the conditions for the procurement of goods by means of petty cash purchases referred to in Paragraph 12(1) (a) of this policy, which must include conditions-

- (b) determining the terms on which a manager shall delegate responsibility for petty cash to an official reporting to the manager;
- (c) limiting the number of petty cash purchases or the maximum amounts per month for each manager;
- (d) excluding any types of expenditure from petty cash purchases, where this is considered necessary; and
- (e) requiring monthly reconciliation reports from each manager to the chief financial officer, including-
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

16. Written or verbal quotations

The accounting officer must establish the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating-

- (a) That quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality provided that if quotations are obtainable from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by 14(1)(b) and (c) of this policy; (b) that, to the extent feasible, providers must be requested to submit such quotations in writing.
- (b) that if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;
- (c) that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (d) that if a quotation was submitted verbally, the order shall be placed only against written confirmation by the selected provider.

17. Formal written price quotations

- (1) The accounting officer must establish the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating-
 - (a) that quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
 - (b) that quotations shall be obtained from providers who are not listed provided that such providers meet the listing criteria in the supply chain management policy;
 - (c) that if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and

- (d) that the accounting officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in sub-paragraph (1)(c) must, within three days of the end of each month, report to the chief financial officer on any approvals given during that month by that official in terms of that sub-paragraph.
- 18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations**

The procedure for the procurement of goods or services through written, verbal or formal written price quotations is as follows-

- (a) When using the list of accredited prospective providers, the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements in excess of R30 000 (incl. VAT) that are to be procured by means of formal written price quotations must be advertised for at least 7 days on the municipal website the official notice board and the preference point system, as described in the preferential procurement section of this policy, must be applied to such quotations.
- (c) Offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;
- (e) Offers below R30 000 (incl. VAT) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;

Offers should abide by Council requirements for proper record keeping.

19. Competitive bidding process

- (1) Goods or services above a transaction value of R200 000.00(VAT included) and long term contracts shall only be procured through a

competitive bidding process, subject to paragraph 7(ii) of this policy;
and

- (2) No requirement for goods or services above an estimated transaction value of R200 000.00 (VAT included), shall deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise that through a competitive bidding process.

20. Process for competitive bidding

The accounting officer must establish procedures for a competitive bidding process for each of the following stages:

- (a) the compilation of bidding documents;
- (b) the public invitation of bids;
- (c) site meetings or briefing sessions, if applicable;
- (d) the handling of bids submitted in response to public invitation;
- (e) the evaluation of bids;
- (f) the award of contracts;
- (g) the administration of contracts; and
- (h) proper record keeping.

21. Bid documentation for competitive bids

The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply, which in addition to paragraph 15 of this policy, the bid documentation must-

- (a) take into account-
 - (i) the general conditions of contract;
 - (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 evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they shall 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) their audited annual financial statements–
 - (aa) for the past three years; or
 - (bb) 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 is expected to be transferred out of the Republic; and
 - (v) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

22. Public invitation for competitive bids

The accounting officer must determine the procedure for the invitation of competitive bids, which must stipulate that:

- (1)
 - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which shall include an advertisement in the Government Tender Bulletin); and
 - (b) the information contained in a public advertisement, must include–
 - (i) the closure date for the submission of bids, which shall not be less than 21 days in the case of transaction over R2 million (VAT included) but less than R10 million and for the construction works, or 14 days in any cases including goods and services, or 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy; and
 - (ii) a statement that bids shall only be submitted on a bid document provided by the municipality.
- (2) The accounting officer shall determine a closure date for the submission of bids which is less than the 21 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 must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

23. Procedure for handling, opening and recording bids

The accounting officer must determine the procedures for the handling, opening and recording of bids, which must stipulate that-

- (a) Bids-
 - (i) must be opened only in public; and
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price; and
- (c) The accounting officer must-
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid result on the website.

24. Negotiations with preferred bidders

- (1) The accounting officer shall 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 has submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

25. Two-stage bidding process

- (1) A two-stage bidding process is allowed for-
 - (b) large complex projects;
 - (c) projects where it shall be desirable to prepare complete detailed technical specifications; or
 - (d) long term projects with a duration period exceeding three financial years.

- (2) In the first stage, technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage, final technical proposals and priced bids should be invited.

26. Committee system for competitive bids

- (1) The accounting officer is required to-
 - (a) establish a committee system for competitive bids consisting of at least-
 - (i) a bid specification committee;
 - (ii) a bid evaluation committee; and
 - (iii) a bid adjudication committee.
 - (b) appoint the member of each committee, taking into account section 117 of the Act; and
 - (c) provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.
- (2) The committee system must be consistent with-

paragraph 27, 28 and 29 of this policy; and any other applicable legislation.
- (3) The accounting officer shall apply the committee system to formal written price quotations.

27. Bid specification committees

- (1) The bid specification committee must compile the specifications for procurement of any goods and services by the 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 recognized 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) shall not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test method, packaging, marking or labeling of conformity certification;
- (e) shall not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent";
- (f) must indicate each goal for which points shall be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- (g) must be approved by the accounting officer or his delegated authority prior to publication of the invitation for bids.

- (3) The bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for

the function involved, and shall, where appropriate include external specialist advisors.

- (4) No person, advisor or corporate entity involved with the bid specification committee, or CFO of such a corporate entity, shall bid for any resulting contracts.

28. Bid evaluation committees

- (1) The bid evaluation committee must-
 - (a) evaluate bids in accordance with-
 - (i) the specifications for a specific procurement; and
 - (ii) the points system as set out in this policy document.
 - (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
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) The bid evaluation committee must, as far as possible, be composed of-
 - (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.

29. Bid adjudication committee

- (1) The bid adjudication committee must-

- (a) consider the report and recommendations of the bid evaluation committee, and
 - (b) either–
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) The bid adjudication committee must consist of at least four senior managers of the municipality which must include–
- (i) the Chief Financial Officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - (ii) at least one senior supply chain management practitioner who is an official of the municipality; and
 - (iii) a technical expert in the relevant field who is an official, if such an expert exists.
- (3) The accounting officer appoints the Chief Financial Officer as 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, shall be a member of a bid adjudication committee.

- (5)(a)
 - (i) If the bid adjudication committee decides to award a bid other than one recommended by the bid evaluation committee, the bid adjudication committee, must prior to awarding the bid-
 - (ii) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (iii) notify the accounting officer.
- (b) The accounting officer shall-
 - (i) after due consideration of the reasons for 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 committed is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer shall 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.

30. Procurement of banking services

- (1) Banking service-
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and shall not be for a period of more than five years at a time.

- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids shall not be less than 60 days from the date on which the advertisement is placed in a newspaper. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990)

31. Procurement of IT related goods or services

- (1) The accounting officer shall request the State information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding system.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if-
 - (a) the transaction value of IT related goods or services required in any financial year will exceed R20 million (VAT included) or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R20 million (VAT included).
- (4) If a SITA comment on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

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

- (1) The accounting officer shall procure goods or services under a contract secured by another organ of state, but only if-

- (a) the contract has been secured by that 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 on writing.

33. Procurement of goods necessitating special safety arrangements

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

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

34. Proudly SA Campaign

The accounting officer must determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly –suppliers and businesses within the municipality or district;
- Secondly– suppliers and businesses within the relevant province;
- Thirdly–suppliers and businesses within the Republic of South Africa.

35. Appointment of consultants

- (1) The accounting officer shall procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.
- (2) Consultancy services must be procured through competitive bids if-
 - (c) the value of the contract exceeds R200 000 (VAT included); or
 - (d) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of-
 - (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised by a consultant in the course of the consultancy service is vested in the municipality.

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

- (1) The accounting officer shall-
 - (a) dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which shall include direct negotiations, but only-
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and /or nature and game

reserves; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procure processes and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The accounting officer must record the reasons of any deviations in terms of sub-paragraph (1) (a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

36.1 In respect of cases where emergency is pleaded the following must be indicated by the director, to the Municipal Manager in writing

- An indication must be given of the circumstances that could not foreseen.
- An outline must be given of the specific dangerous or perilous conditions or misery or defect that occurred as a result therefore and the damage it could have brought.
- What was aimed at with the action in order to relieve, stem and or prevent the condition and
- Proof to the effect that seen in retrospect, what the actual action was with regard to then appointed goal.

In respect of cases where best interest is pleaded:

- The reason for urgent action must be furnished and motivated
- Reasoning of the negative results that could have occurred if authorised action was not taken and a comparison of the results that was brought about by action must be furnished and

- Whether the unauthorised action yielded better results than would have been yielded if the normal procedure had been followed.

In respect of both emergency any best interest

- The exact detail of time and timescales applicable at the time of action must be stated
- What attempts were made to obtain prior authorization from the procurement committee.
- The manner of handling of invitation of price quotation and tender placement of order and payment
- The condition which were applicable and
- How the price analyses and comparison with normal price was made.

When a power, directive or delegation has been exceeded and or incorrectly excised, but no contractual commitment has resulted there from, all contributory causes or factors and circumstances must be furnished to the Municipal Manager and Mayoral Committee.

36.2 DESCRIPTIONS

EMERGENCY PURCHASES OR EMERGENCY WORK

The following examples of emergency purchases or emergency work during work hours or after hours occurs.

- Breakage blockage of water-and sewerage lines
- Failure in the electricity reticulation
- Computer network failure
- Emergency vehicle breakdowns and
- Disaster situations , (dam sluice fail during operation) ,et cetera

36.3 EMERGENCY WORK AFTER OFFICE HOURS PER TENDER QUOTATION

In emergency cases a report will have to be submitted to the Municipal Manager asking for condonement that the calling for tenders was disposed of on the basis of emergency. The emergency will have to be fully motivated. At all times the Municipal Manager must give his/her prior approval for this procedure to be followed.

Quotation proposal prices must distinguish between weekday, public holiday- and weekend rates.

A ranking of the companies according to tender quotation prices must be compiled and those companies should be used in cases of emergencies or after hours emergencies.

In the event that the first choice company cannot render the services, the 'emergency supplier form' must be completed, indicating the date, time and the reasons why the mentioned company was unable to assist.

The Directorate must follow up per memorandum on the first working day thereafter to explain the break in ranking

It is however of paramount importance to note that in the case where an hourly rate is quoted, that it be established what the duration of the job will be, to ensure that only the hourly rate is taken as a criteria.

36.4 Procedure: emergency purchases

The controller of stores will give the highest priority to emergency purchases, when such motivated requests are received. At all times prior to following this procedure, the Director Consent must obtain prior approval from the Municipal Manager.

Emergency purchases during normal office hours will be carried out by the controller of stores or his /her nominee.

When emergencies are experienced after hours, with result that materials, goods , work or services must be procured urgently in order to prevent injuries or losses to the Council or the public, the following procedure is applicable

The requesting Director must contact the controller of stores who will indicate whether or not the required materials /goods are available in the stores. If available, the storeman on standby will issue the material / goods.

If the required materials / goods are not available in the stores, the employee involved shall conclude the necessary purchases without obtaining written quotations, subject to the consent and approval of his director

On the first working days after the emergency purchases took place, the employee involved must complete an external requisition, hand it over to the controller of stores together with a completed ‘ emergency purchase form’

The Directorate involved will obtain an invoice from the supplier involved, and through the payment section, make the necessary payments to the supplier.

Any purchase made under this procedure shall be validated by the Director or his Wher nominee concerned; who shall be required to authorised and approve the purchase before payment will be effected. The Director or his W her nominee of the department will be required to sign all documentation regarding the emergency purchase.

36.5 Sole supplier and sole agents

Procurement from ‘sole supplier’ shall be subjected to the trading merchant showing written authenticated proof of their sole supplier status.

Transport costs to obtain purchases from suppliers outside the Mhlontlo area should be considered when prices are compared.

A distinction must be made between sole supplier and appointed agents.

A sole supplier is the only supplier of a certain product or commodity in a specific area whereas as an agent is the appointed business to distribute a certain product in a certain area i.e. Barloworld is the appointed agent in the Mhlontlo area to distribute Toyota spares but is not the sole supplier of Toyota spares. There is only one supplier that manufactures cables in town who is not an appointed but due to demand is the only supplier. This necessitates a proper vendors list with pre-requisites before a supplier can be added to such a list.

36.6 'Strip and quote'

'strip and quote quotations' happen when an appliance, or machinery or vehicle, brake down and the cause of the problem is not traceable.

Currently three quotations are to be submitted and in some case, a strip, fee is to be paid.

To eliminate extra stripping quote fees, a director must seek one strip and quote quotation from reliable dealer. In this case, trust and the experience with current suppliers, must be decisive. In these cases a list of the actual repair cost. The quote that is obtained last is usually also the highest, because 'parts get lost along the way

36.7 Specialised work

In case such as electrical, electronic, mechanical and hydraulic repairs, it is not possible to determine prior to repairs in the majority of these cases. Fault finding, comprises labour inputs and testing, which resulted in the highest cost.

When engines, gearboxes and differentials need to be repaired, standard quotations for the repair of such a unit will be obtained to eliminate 'strip and quote' costs. In numerous occasions it is found that some of the parts are malfunctioning and ~~W~~ or have to be replaced. In these cases the service provider must be issued with an additional order to cover these costs.

37. 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 shall decide in terms of Section 113(2) of the Act to consider an unsolicited bid, only if-
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantage;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with sub-paragraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with-
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) All written comments received pursuant to sub-paragraph (3) including any responses from the solicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comments.

- (5) The adjudication committee must consider the unsolicited bid and shall 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 must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account-
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submissions must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid shall be entered into or signed within 30 days of the submission.

38. Combating of abuse of supply chain management

The accounting officer must establish measures for the combating of abuse of the supply chain management system, which must stipulate the following:

- (1) The accounting officer must-
 - (a) take all reasonable steps to prevent abuse of the supply chain management system.
 - (b) Investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with this supply chain management policy, and when justified-

- (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Services;
- (c) To 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) To reject any bid from a bidder–
 - (i) if any municipal rates and taxes or municipal charges owed by that bidder or any of its directors to the municipality or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory.
- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if–
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

- (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors
- (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system.
 - (ii) has been convicted for fraud or corruption during the past five years.
 - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
- (i) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No.12 of 2004).
- (5) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of sub-paragraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3

Logistics management

39. The accounting officer must establish an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.

Part iv

40. Disposal management

(1) The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including

unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, which must stipulate the following:

- (2) The disposal of assets must—
 - (a) be by one of the following methods—
 - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset;
 - (b) provided that—
 - (i) immovable property shall be sold only at market related prices except when the public interest or the plight of the poor demands otherwise
 - (ii) movable assets shall be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (iii) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
 - (iv) in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;

- (c) furthermore ensure that–
 - (1) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
 - (2) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviews; and
- (d) ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

. Formation/establishment of disposal committee

Appointment of chairperson of disposal committee

Terms of Reference/functions of disposal committee.

Disposal Policy

Part v

41. Risk management

- (1) The accounting officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
- (2) Risk management must include–
 - (a) the identification of risks on a cause-by-cause 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

Part vi

42. Performance management

The accounting officer must establish an effective internal monitoring system in order to determine, on basis of a retrospective analysis whether the authorized supply chain management processes were followed and whether the desired objectives were achieved.

42.1 Unsatisfactory performance

Unsatisfactory performance occurs when performance is not in accordance with the contract conditions.

When suppliers or services do not comply with the provisions or requirements of the contract, or problems are experienced in the execution of the contract, the matter must be brought to the attention of the contractor in writing, by the relevant directorate. Direct warranties must be contained in a contract conditions.

Before action due to late delivery is instituted against a contractor who has offered a firm delivery period, the circumstances under which the delivery took place must be investigated. Wherever possible, firm delivery periods must be insisted upon before a tender is accepted, as well as when the issue of late deliveries crops up during the currency of a contract.

When an unreasonable delay occurs, then Municipal Manager must address a written warning to the contractor, setting a cut-off date (usually three weeks from date of warning) and warn the contractor that the penalty clause will be applied if the order is not executed before the cut-off date. If he does not heed the warning, the penalty clause must be applied and the action reported to the Mayoral Committee.

In the following cases penalties for late delivery must be imposed:

- I. Where deliveries within a particular time period were a specific contract condition.
- II. Where a firm delivery period was a contract condition and where delays caused serious damage, loss or inconvenience to the council.

Contract shall appeal against the deduction of monies in respect of penalties, or the initiation of claims as a result of late deliveries. Where agreement cannot be reached between the Municipal Manager and contractors, the case must be referred to the Mayoral Committee for decision.

42.2 Damages

If a contractor should win a contract on the basis of wrong information, Mhlontlo Local Municipality has the power to

- I. Recover any cost or damage which Mhlontlo Local Municipality might have suffered as a result of the conclusion of the contract, and or
- II. Terminate the contract and to recover any loss which shall suffer as a result of having to make less favourable arrangements.
- III. Impose a penalty of not more than five percent of the monetary value of the contract by written notice to the contractor by registered mail, and or
- IV. Restrict the contractor or supplier, its shareholders and directors from obtaining business from Mhlontlo Local Municipality for period not exceeding three years.

OTHER MATTERS

43. Prohibition on awards to persons whose taxes matters are not in order

- (1) The accounting officer must ensure that, irrespective of the procurement process followed, no award above R15 000.00 is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order.
- (2) Before making an award to a person, the accounting person must 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 shall for purposes of sub-paragraph (1), be presumed to be in order.

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

The accounting officer must ensure that irrespective of the procurement process followed, no award shall be given to a person-

- (a) who is in the service of the state; or
- (b) if that person is not a natural person, of which any director, manager, principal shareholders or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant with the municipality.

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

The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including-

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and

- (c) the amount of the award.

46. Ethical standards

- (1) A code of ethical standards is hereby established, in accordance with sub-paragraph (2), for officials and other role players in the supply chain management system in order to promote-

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

- (2) An official or other player involved in the implementation of the supply chain management policy-

- (a) must treat all providers and potential providers equitably;
- (b) shall not use his or her position for private gain or to improperly benefit another person;
- (c) shall not accept any reward, gift, favour, hospitality or other directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding sub-paragraph 2(c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, shall have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family

member, partner or associate, has any private or business interest;

(g) must be scrupulous in his or her use of property belonging to the municipality;

(h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

(i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person shall become aware of, including-

(ii) any alleged fraud, corruption, favouritism or unfair conduct;

(iii) any alleged contravention as entailed in this policy; or

(iv) any alleged breach of this code of ethical standards.

(3) Declarations in terms of sub-paragraphs (2) (d) and (e)-

(a) must be recorded in a register which the accounting officer must keep for this purpose

(b) by the accounting officer must be made to the Mayor of the municipality who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct is applicable to all supply chain management practitioners and other role players involved in supply chain management.

(5) A breach of the code of conduct must be dealt with in accordance with schedule 2 of the Systems Act.

47. 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 or to be disposed of shall either directly or through a representative or intermediary promise, offer or grant—
 - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to—
 - (i) any official; or
 - (ii) any other role player involved in the implementation of the supply chain management policy.
- (2) The accounting officer must promptly report any alleged contravention of sub-paragraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Sub-paragraph (1) does not apply to gifts less than R350 in value .

48. Sponsorship

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

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

49. Objections and complaints

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

50. Resolution of disputes, objections, complaints and queries

(1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes-

(a) to assist in the resolution of disputes between the municipality and other persons regarding-

(ii) any decisions or actions taken in the implementation of the supply chain management system; or

(iii) 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 effectively.

(3) The person appointed must-

(a) strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objections, complaints or query shall be referred to the relevant provincial treasury if-

- (a) the dispute, objections, complaints 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 shall be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

51. Contracts providing for compensation based on turnover

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 at an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate.

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

52. PREFERENTIAL PROCUREMENT

Introduction

The following procurement strategies are addressed in this section:

the application of a preference point system for Exempted Micro Enterprises and B-BBEE Contributors in terms of the Preferential Procurement Regulations, 2011.

the stipulation, in bid documentation, of minimum thresholds for local production and content in accordance with directives issued by the National Treasury and Department of Trade and Industry.

the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities are made available to suppliers, service providers and construction contractors of various sizes.

the use of functionality/quality, where appropriate, in procurement processes in order to ensure that goods supplied are fit for purpose, or that a minimum level of experience and competence in respect of service providers or construction contractors is attained.

the increase of employment opportunities by encouraging the use of labour intensive technologies.

the targeting of labour and/or enterprises from specific areas within the boundaries of the Mhlontlo Municipal area.

1. Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation, reduced

performance guarantee requirements, reduced retention, reduced payment cycles and good governance.

Aim

2. The aim of this section of the municipality's Supply Chain Management Policy is to give effect to, and to ensure compliance with, all applicable legislation and national directives in respect of preferential procurement and broad-based black economic empowerment.
3. The level of B-BBEE contribution achieved by the Municipality through the application of this policy will be monitored in terms of the Supply Chain Management performance management system.

53. Preferential Procurement System

Key Principles

4. The key principles of this system are:
 - 4.1 the application of an 80/20 preference point system for procurement (competitive bids or quotations) with a Rand value of greater than R30 000 but less than or equal to R1 000 000;
 - 4.2 the application of a 90/10 preference point system for procurement (competitive bids) with a Rand value greater than R1 000 000;
 - 4.3 that bids may be declared non-responsive if they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.
5. The preference point system shall be used in the evaluation of responsive bids for the purposes of determining preferred/recommended bidders, and for the adjudication thereof.
6. The preference point system is not applicable to petty cash purchases and to the procurement less than R30 000.

Planning and Stipulation of Preference Point System

7. Prior to embarking on any procurement process, the Responsible Agent must properly plan for, and, as far as possible, accurately estimate the cost of the

goods, services or construction works for which bids are to be invited.

8. The Responsible Agent shall determine the appropriate preference point system to be used in the evaluation and adjudication of bids, and shall ensure that such is clearly stipulated in the bid documentation.
9. The Responsible Agent shall determine whether the goods, services or construction works which are to be procured, have been designated for local production and content by the National Treasury or Department of Trade and Industry, in which case the requirements of clauses 21 to 27 shall be followed.

Evaluation of Bids on Functionality (Quality)

10. Functionality (otherwise known as quality) may be included in the bid evaluation process as a qualifying (eligibility) criterion.
11. If a bid is to be evaluated on functionality, this must be clearly stated in the invitation to submit a bid, and in the bid documentation.
12. The evaluation criteria for measuring functionality must be objective.
13. When evaluating bids on functionality the:
 - evaluation criteria for measuring functionality;
 - weight of each criterion;
 - applicable values; and

minimum qualifying score for functionality,
must be clearly stipulated in the bid document.

14. The norm for the minimum qualifying score for functionality shall be 60% of the total possible score. For more specialised or complex projects the minimum score may, at the discretion of the Bid Specification Committee, be increased to up to 70% of the total possible score. The setting of a minimum score any higher than 70% of the total possible score must be motivated to, and approved by, the Director: Supply Chain Management prior to use.
15. If a bid fails to achieve the minimum qualifying score for functionality as indicated in the bid document, it must be regarded as non-responsive, and be rejected (not considered any further in the evaluation process).
16. Bids that have achieved the minimum score for functionality, and passed any other responsiveness tests, must be evaluated further in terms of the preference point system prescribed below.

Evaluation and Adjudication of Bids

General

17. An 80/20 preference point system is stipulated for bids with a Rand value of greater than R30 000, but less than or equal to R1 000 000, and a 90/10 preference point system of procurement with a Rand value of greater than R1 000 000.

18. This means that either 80 or 90 points, depending on the Rand value of the bid, will be awarded to the person who offers the lowest price, and proportionately fewer points are awarded to those with higher prices. Either 20 or 10 points are then available as preference points for Exempted Micro Enterprises or B-BBEE contributors, as applicable.

Cancellation and Re-invitation of Bids

19. In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, **all** bids received exceed a value of R1 000 000, the bids must be cancelled.
20. If one or more of the acceptable bids received are within the prescribed threshold of R1 000 000, all bids received must be evaluated on the 80/20 preference point system.
21. In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, **all** bids received are equal to, or below R1 000 000, the bids must be cancelled.
22. If one or more of the acceptable bids received are above the prescribed threshold of R1 000 000, all bids received must be evaluated on the 90/10 preference point system.
23. Bids cancelled in terms of clauses 19 and 21 above, must be re-invited, with the correct preference point system clearly stipulated in the bid documents.

The 80/20 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works up to a Rand Value of R1 000 000

24. The following formula must be used to calculate the points for price in respect of bids (including price quotations) with a Rand value of greater than R30 000 and up to a Rand value of R1 000 000 (all applicable taxes included):

$$P_s = 80 \left[1 - \frac{(P_t - P_{min})}{P_{min}} \right]$$

Where :

P_s = Points scored for comparative price of the bid under consideration;

P_t = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration; and

P_{min} = Comparative price (corrected, if applicable, exclusive of VAT) of lowest responsive bid.

25. The nomenclature used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.
26. Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below.

B-BBEE Status Level of	Number of Points for
------------------------	----------------------

Contributor	Preference
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

or, in respect of Exempted Micro Enterprises (EMEs)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Points for Preference
> 50%	3	16
≤ 50%	4	12

27. The points for preference scored by a bidder in terms of clause 26 above, must then be added to the points for price scored in terms of clause 24, in order to obtain the total number of adjudication points scored for each responsive bid.
28. Subject to clause 29 above of this policy, the contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points.

The 90/10 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works with a Rand Value above R1 000 000

29. The following formula must be used to calculate the points for price in respect of bids with a Rand value above R1 000 000 (all applicable taxes included):

$$P_s = 90 \left[1 - \frac{(P_t - P_{min})}{P_{min}} \right]$$

Where :

P_s = Points scored for comparative price of the bid under consideration;

P_t = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration; and

P_{min} = Comparative price (corrected, if applicable, exclusive of VAT) of lowest responsive bid.

30. The nomenclature used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.
31. Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below.

B-BBEE Status Level of Contributor	Number of Points for Preference
1	10
2	9
3	8
4	5
5	4
6	3

7	2
8	1
Non-compliant contributor	0

or, in respect of Exempted Micro Enterprises (EMEs)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Points for Preference
> 50%	3	8
≤ 50%	4	5

32. The points for preference scored by a bidder in terms of clause 31 above, must then be added to the points for price scored in terms of clause 29, in order to obtain the total number of adjudication points scored for each responsive bid.
33. Subject to clause 29 of this policy above (not the one of the PPPF section of this policy) the contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points.

53. B-BBEE Status Level Certificates

1. In order to qualify for preference points in terms of clauses 26 to 31 above, Exempted Micro Enterprises must have submitted, to the Municipality, a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency, confirming their status as such.

2. Bidders other than Exempted Micro Enterprises must submit, to the Municipality, their original and valid B-BBEE status-level verification certificate, or a certified copy thereof, substantiating their B-BBEE status level of contributor.

3. The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.

4. Bidders who fail to submit the required certificates, or certified copies thereof, will be deemed to be non-compliant contributors.

5. Where specific sector charters have been gazetted in terms of the B-BBEE Act, bid documentation for procurement from within such sectors, must specify that only persons verified in terms of the particular sector charter (or Code of Good Practice), or Exempted Micro Enterprises, will qualify for a preference. A status level of contributor in respect of generic Codes of Good Practice will not, in such circumstances, qualify for any preference.

6. Where no specific sector charter has been gazetted, persons other than Exempted Micro Enterprises must be verified in terms of the gazetted generic Codes of Good Practice in order to qualify for a preference.

7. For the purposes of transparency, bidders shall, in respect of all competitive bids (over R200 000), be required to claim, in their bid submission, a preference in accordance with their B-BBEE status.

8. Notwithstanding what is contained in the bid submission, preference points will be allocated during the bid evaluation process in accordance with the verified B-BBEE status level (or deemed status level) of contributor.

Conditions Relating to the Granting of Preferences

9. Bidders must, in the manner stipulated in the bid documentation, declare that:

the information provided is true and correct;

the signatory to the bid document is duly authorised;
and

documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the municipality.

10. Only bidders who have completed and signed the necessary declarations may be considered.

11. The Bid Evaluation Committee must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.

12. A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.

13. A trust or joint venture will qualify for preference points for their B-BBEE status level as a legal

entity, provided that the entity has submitted its verified B-BBEE status level certificate (or certified copy thereof) to the Municipality.

14. A trust or joint venture will qualify for preference points for their B-BBEE status level as an unincorporated entity, provided that the entity has submitted its consolidated B-BBEE scorecard as if it is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid. The consolidated B-BBEE scorecard must be submitted in the form of a certificate issued by an accredited verification agency (or a certified copy thereof).
15. A bidder may not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that the bidder qualifies for, unless the intended sub-contractor is an Exempted Micro Enterprise that has the capability and ability to execute the sub-contract.
16. A bidder that has been awarded a contract may not sub-contract more than 25% of the value of the contract to enterprises that do not have an equal or higher B-BBEE status level than the bidder concerned, unless the sub-contractors are Exempted Micro Enterprises that have the capability and ability to execute the sub-contract. Compliance with this particular requirement must be monitored by the Responsible Agent during the execution of the contract.

17. If a service is required that can only be provided by tertiary institutions, such services must be procured through a bidding process from the identified tertiary institutions.
18. The tertiary institutions referred to in clause 17 above, must submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.
19. If a service is required that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a service provider/contractor must be done by means of a competitive bidding process.
20. Public entities must submit their B-BBEE status in terms of the specialized scorecard contained in the gazetted B-BBEE Codes of Good Practice.

Local Production and Content

21. The National Department of Trade and Industry is empowered to designate industry sectors, in line with national development and industrial policies for local production, where only locally produced goods, services or construction works, or locally manufactured goods that meet a stipulated minimum threshold for local production and content, may be used.
22. In the case of designated sectors, where in the award of bids, local production and content is of critical importance, such bids must be advertised with a specific condition of bidding, that only locally produced goods, services or construction works or

locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.

23. Any instructions, circulars and guidelines issued by National Treasury in the above regard must be complied with.
24. Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods, services or construction works, or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.
25. Every bid issued in terms of clauses 22 to 24 must be measurable and audited.
26. Where necessary, for bids referred to in clauses 22 to 24, a two-stage bidding process may be followed, where the first stage involves functionality and minimum threshold for local production and content, and the second stage price and B-BBEE level of contribution, with the possibility of price negotiations only with the short listed bidder/s.
27. A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

Other Specific Goals

Unbundling Strategies

28. In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.

29. Unbundling must however be considered in the context of:

economies of scale being lost;

abortive work becoming necessary;

additional demands (not only financial) being placed on the Municipality's resources; and

the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

30. Unbundling, and all of its associated implications, must therefore be carefully considered at the planning

stage of any project and the budgets for, and design thereof, should be structured accordingly.

31. It is important to note that while it is the Municipality's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parcelling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

Increasing Employment Opportunities

32. One of the Municipality's key socio-economic objectives is to facilitate the creation of employment for the people of Mhlontlo.

33. Increasing employment opportunities through procurement may be achieved by specifying labour intensive technologies and/or methods of construction in the bid documents.

34. It is up to Responsible Agents to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labour intensive technologies and/or methods where appropriate.

35. All labour earning less than a threshold wage, determined in accordance with National Guidelines, that is employed for the provision of services or construction works for the Municipality, shall be reported in the prescribed format, on a monthly basis, to the Corporate EPWP¹ Unit.

¹ Expanded Public Works Programme

Targeted Labour and/or Targeted Enterprises

36. The targeting of labour and/or enterprises from specific areas within the boundaries of the Mhlontlo Municipal area may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labour and/or targeted enterprises in the performance of the contract.

37. Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

38. Where a minimum contract participation goal has been specified in respect of targeted labour and/or enterprises, the contractor is obliged to meet that goal, and must be penalised if he or she does not.

39. Contract participation goals in respect of targeted labour and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.

54. Withdrawal of tenders before lapse of validity

Tenders shall be withdrawn in writing at anytime before the lapse of the tender validity period of ninety (90) working days. After expiry of this period the council has three week to finalise awarding of the contract, failing which the tender has to be re-advertised.

55. Deviation from specification

Tenders with deviations from specifications listed on tender document will not be considered.

56 Price deviations matching

The supplier procurement and tender committees will always consider application of contract participation goals when awarding businesses to suppliers. This will then mean less than 10% deviation from less quotation shall be considered.

57 Providing reasons for decision

All tender decisions should be minuted. When a tender applies to Mhlontlo Local municipality in writing for the reasons why his tender was not accepted, the Municipal Manager shall give reasons together with any relevant decisions included in the tender committee's minutes, to the tenderer in writing.

58. Acceptance of tenders

58.1 Letters of acceptance

The decision on any tender awarded should be communicated to all tenderers within 10 days of a decision having been made by the Municipality. All correspondence

should be addressed and dispatched to the address for service as provided in the tender documents.

The Municipal Manager shall set out the terms of the letter be used to communicate acceptance of a tender.

58. 2 Contracts

Upon acceptance of a tender the parties shall sign a contract setting out the terms and conditions for the provision of goods or services in terms of the accepted tender. Only a designated official will sign any contract on behalf of Mhlontlo Local Municipality.

58.3 Payment

Under normal circumstances payment is made for supplies in accordance with the contract conditions only after it has been delivered and where applicable installed, in good working order.

When purchases are made or contracts concluded without the necessary authorization, the expenditure is classified as unauthorised expenditure for which ex post facto approval has to be obtained. If the supplier has complied fully with his part of the contract, payment shall not be withheld in anticipation of ex- facto approval of the unauthorised action.

58.4 Sureties and retention

Over the years practices have developed in the construction industry intended to reduce the employer's risk on a contract. These practices include the provision of sureties for the due performance on a contract and retention of a portion of moneys due to contractor. Should a contractor not perform, the employer would be in a position to utilise the sureties as well as retention moneys for the completion of the work.

58.4.1 Sureties

On these projects, sureties must be affordable according to risk. The following sureties shall be applicable.

Medium projects	5%
Large projects	10%

Where in the case of micro-small and medium projects the sureties have been reduced, a cash surety will be allowed which can be deducted from the first two payment certificates in equal amounts. In the case of large contracts the surety is required from a bank or insurance company in accordance with the general condition of contract.

58.4.2 Retention

Retention moneys withheld from a contractor during the construction and defects liability period (normally 12 months) must be affordable according to risk. The following limits to retention shall be applicable.

Medium projects 5%

Large projects 10%

59. Public-private partnerships

- (a) The accounting officer shall enter into a public-private partnership, but only if the contract will-
 - (ii) provide value for money to the municipality;
 - (iii) be affordable for the municipality;
 - (iv) transfer appropriate technical, operational and financial risk to the private party; and
 - (v) impact on the municipality's revenue flows and its current and future budgets.

- (b) Before a public-private partnership is concluded-
 - (ii) the municipality must conduct a feasibility study, with assistance from national government where necessary, that will outline strategic and operational benefits of such partnership to the municipality;
 - (iii) the accounting officer must, at least 60 days before the Council meeting, make public and submit to Council, a report on the feasibility study, for commentary by the community and a resolution by Council on whether to continue with the proposed partnership; and
 - (iv) recommendations from National Treasury, Department of Provincial and Local Government and any other

national or provincial organ of state as shall be prescribed, must be taken into consideration.

60. PROCUREMENT OF CATERING SERVICES

Catering services may be appointed on a rotational basis for the provision of catering services within the value of no more than R30.000

-Development of Standard menus

- (i) normal tea – sandwiches/tea/coffee and juice)
- (ii) high tea – sandwiches/scones/muffins/small cakes/koeksusters/ tea/coffee/juice/ mineral water etc.
- (iii) normal standard menu- rice and samp /chicken and red meat/any three veggies, but be yellow, green and any other colour plus two salads.
- (iv)VIP lunch – same as normal but include roast, desserts, variety of salads and other dishes.

STANDARD PRICE.

Normal Standard place is R75.00

Normal Tea is R45.00

High Tea is R60.00

VIP Lunch is R95.00

Development of Standard prices

Please Note

- The above should be within legislative framework
- The SCM Unit is responsible for giving effect to such rotational appointment

- Health and Protection Services must inspect the food handlers for health and hygiene compliance on an ongoing basis.
- If catering services are required in an area where there are no registered catering service providers on the database, then the normal procurement process will apply, as depicted in the policy.
- The SCM shall review the rates for catering services annually
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61. VARIATION ORDERS

The variation order is done as a result of the unforeseen or unpreventable changes in the design specification. It should be recommended by the Director of the user department, budget confirmation by the CFO and approved by the Municipal Manager. The Municipal Manager should report the matter to the Council within 30 days.

62. EPWP (Expanded Public Works Programme)

All municipal Infrastructure-related contracts should be EPWP compliant.

63. CESSION.

How are they dealt with? (if applicable)

64. RETENTION.

In respect of a Rand value less than or equal to R200 000- no retention

Exceeding R200 000, but less than or equal to R1 million: 10% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period. The retention is for a period of 6 months at 5% of the total contract amount.