

BUDGET AND TREASURY DEPARTMENT	Doc Nr	
SUPPLY CHAIN MANAGEMENT POLICY	Version	
	Issue Date	
	Next Review Date	



SUPPLY CHAIN MANAGEMENT POLICY

Signatories

The signatories hereof, confirm acceptance of the contents, recommendation, and adoption hereof.

TITLE	SUPPLY CHAIN MANAGEMENT POLICY		
APPROVED DATE		PAGES	53
EFFECTIVE DATE		REVIEW DATE	
ROLE	DESIGNATION	OFFICIAL/MEMBER	SIGNATURES
INITIATED BY	Chief Financial Officer	AC. Mufamadi	
RECOMMENDED BY	Municipal Manager	MT Makumule	
APPROVED BY	Council		
CUSTODIAN OF THE POLICY	Chief Financial Officer	AC Mufamadi	

DOCUMENT CONTROL PAGE				
Document title	SUPPLY CHAIN MANAGEMENT POLICY			
Creation date	MAY 2025			
Effective date				
Status	Draft		Final	
Version	01			
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Owner title, name and contact details	Chief Financial Officer Email - MufamadiAC@thulamela.gov.za Telephone – 015 962 7515			
Distribution	<ul style="list-style-type: none"> • Council • Accounting Authority and Committees • Municipal Officials • Relevant Stakeholders 			
Classification	Restricted	N/A	Confidential	N/A
Revision	Version Number	Revision Date	Revision Details	Revised by
Review History				

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1. DEFINITIONS AND ACRONYMS

1.1 Statutory and Regulatory

This Procedure applies to the following meanings and interpretations:

DEFINITIONS

#	TERM	DESCRIPTION
1.1.1	Accounting Officer	means a person appointment in terms of section 82(l)(a) or (b) of the Municipal Structures Act.
1.1.2	Competitive bidding process	means a competitive bidding process referred to in paragraph 7.4.2.3 of this Policy;
1.1.3	Competitive bid	means a bid in terms of a competitive bidding process;
1.1.4	Emergency	means a serious circumstance which occurred unexpectedly & which requires immediate attention & which might pose threat to the lives of people e.g. disasters:
1.1.5	Competitive bidding process	means a competitive bidding process referred to in paragraph 7.4.2.3 of this Policy;
1.1.6	Final award	in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
1.1.7	Formal written price quotation	Means quotations referred to in paragraph 7.3.3 of this Policy
1.1.8	In the service of the state means to be -	a) a member of – i. any municipal council; ii. any provincial legislature; or iii. the National Assembly or the National Council of Provinces; b) member of the board of directors of any municipal entity; c) an official of any municipality or municipal entity; d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999); e) a member of the accounting authority of any national or provincial public entity; f) an employee of Parliament or a provincial legislature;
1.1.9	Final award	in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
1.1.10	Formal written price quotation	Means quotations referred to in paragraph 7.3.3 of this Policy
1.1.12	Long term contract	means a contract with a duration period exceeding one year;

#	TERM	DESCRIPTION
1.1.13	List of accredited prospective providers	means the list of accredited prospective providers as per CSD
1.1.14	Other applicable legislation	means any other legislation applicable to municipal supply chain management, including – (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); issued by National Treasury from time to time (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000)
1.1.15	Treasury guidelines	means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;
1.1.16	the Act	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
1.1.17	the Regulations	means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;
1.1.18	written or verbal quotations	means quotations referred to in paragraph 7.3.2 of this Policy.

1.2 ACRONYMS

#	TERM	DESCRIPTION
2.1	AFS	Annual Financial Statements
2.2	CSD	Central Supplier Database
2.3	BBBEE	Broad Based Black Economic Empowerment
2.4	CIBD	Construction Industry Development Board
2.5	PPPFA	Preferential Procurement Policy Framework Act
2.6	MFMA	Municipal Finance Management Act

1. PREAMBLE

- 1.1 The Municipality will ensure that the procurements of the goods and services for the municipality will be done in accordance with a system that is fair, equitable, transparent, competitive and cost effective as stated in the Constitution of South Africa, MFMA and National Treasury Regulations on Supply Chain Management.

2. PURPOSE

- 2.1 This policy outlines the ethical and sound procurement practices to be followed by all staff involved in procuring of goods and services in order to ensure value for money for the Municipality within the following predetermined five procurement guidelines/pillars:

2.1.2 Value for money

2.1.3 Open and effective competition

2.1.4 Ethics and fair dealings

2.1.5 Accountability and reporting

2.1.6 Equity and transparency

3. OBJECTIVES

The objective of this policy is to ensure that the procurement practices and processes that are put in place by the Municipality aims to achieve the following:

- 3.1 Improve Efficiency – Ensure that the procurements processes have minimum waste in order to drive efficiency.
- 3.2 Improve Quality – Being agile in managing change and variation to the specifications in real-time to allow municipal services to continue flowing across the supply chain delivery processes in line with MFMA circular 62.
- 3.3 Cost Reduction – Ensuring that there is reduction in the municipality operating expenses

- 3.4 Improve Customer Satisfaction – Ensure that the municipality is having high-performing operations in order to meet or exceed its customers' expectations for delivery of the services it provides.
- 3.5 Furthermore, this policy will ensure that the municipality supply chain processes are implemented in a fair, equitable, transparent manner.

4. SCOPE

- 4.1 The policy applies to all employees and councillors within the municipality, including its service providers/vendors. This policy is regarded as being crucial to the operation and the management of the supply chain processes within the municipality, therefore it is imperative that it is adhered to.
- 4.2 Furthermore, this policy must be implemented by the municipal employees and councillors with relation to the following:
 - 4.2.1 the procurement of goods or services;
 - 4.2.2 disposal of goods no longer needed;
 - 4.2.3 selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies;
 - 4.2.4 be in respect of the procurement of goods and services contemplated in section 110(2) of the Act.

5. PROCUREMENT AND PRINCIPLES

AVAILABILITY OF FUNDS

- 5.1 All Procurement of goods/services must be certified by the budget unit to confirm availability of funds.
- 5.2 All procurement must be in line with the approved annual procurement plan and all other relevant documents not limited to the above mentioned.

CENTRAL SUPPLIER DATABASE

- 5.3 Price quotations should be invited and accepted from prospective suppliers listed on the CSD. Key information of prospective suppliers must be verified on the CSD in line with MFMA and other regulatory requirements. The following information must be verified:
- 5.3.1. Business registration including details of directorship and membership
 - 5.3.2. Bank account holder information
 - 5.3.3. In the service of the state status
 - 5.3.4. Identity number
 - 5.3.5. Tax compliance status
 - 5.3.6. Specific goals - **20**(80/20) **10**(90/10)
 - 5.3.7. Bid defaulting and restriction status and
 - 5.3.8. Any additional and supplementary verification information communicated by National treasury.
- 5.4 SCM Practitioners should not award any bid for price quotations to a bidder not registered on the CSD, excluding transactions concluded through sundry payments and foreign suppliers with no local registered entity.
- 5.5 If it is not possible to obtain price quotation from the list of prospective suppliers listed on the CSD, the Municipality must conduct a market analysis to identify possible suppliers, record the process and submit the list of prospective suppliers obtained through market analysis to the Municipal Manager for approval. The identified suppliers should be registered on CSD before orders are finalised.

VAT AND TAX CLEARANCE CERTIFICATES

- 5.6 Suppliers should be asked to quote prices inclusive of VAT and all other relevant taxes and duties (where applicable). Government is committed to increasing the degree of compliance with supply chain management prescripts and ensuring that persons conducting or intending to conduct business with the state are afforded no scope to abuse the Supply Chain Management system.

- 5.7 It is therefore essential to ensure that persons conducting business with the state are tax compliant at the awarding of price quotations or competitive bids as no price quotations or competitive bids may be awarded to persons who are not tax compliant excluding quotations that are less than R30 000.
- 5.8 The South African Revenue Services (SARS) introduced an enhanced tax compliance status system on eFiling aimed at improving tax compliance and making it easier for taxpayers to manage their tax affairs.
- 5.9 National Treasury 16A9.1 (d) requires Municipal Manager to reject any bid from a supplier who fails to provide written proof from the South African Revenue Services (SARS) that, that supplier either has no tax obligations or has made arrangements to meet outstanding tax obligations.
- 5.10 Therefore, in terms of the legislative requirements, the new tax compliance status impacts on supply chain management processes and documentation as the South African Revenue Services (SARS) no longer issues tax clearance certificates.
- 5.11 In order to comply with the provision indicated above and the condition of bid that successful bidder's taxes are in order, the Municipal Manager must:
- 5.12.1 Designate employees preferably from the Supply Chain Management Unit, who must verify the tax compliance status of the taxpayers on the South African Revenue Service's (SARS) eFiling system. Guidance to the Tax Compliance functionality on eFiling is available on the South African Revenue Service website: www.sars.gov.za
 - 5.12.2 Utilise the Standard Bid Document 1 issued with National Treasury Instruction Number 7 of 2017/18 when inviting bids.
 - 5.12.3 As a bid condition, the Municipal Manager must request bidders to register on government's CSD and include in their bid a copy of their Master Registration Number (Supplier Number) in order to enable the institution to verify the supplier's tax status on the CSD.
 - 5.12.4 The Municipal Manager may also request the supplier to provide tax compliance status PIN when required to view a supplier's tax profile.

- 5.12.5 Utilise the tax compliance status PIN to verify bidders' tax compliance status and print the tax compliance status screen view or letter with the result of the bidder's bid documents for audit purposes.
- 5.13 The CSD and the tax compliance status PIN are the approved methods that will be utilised to verify tax compliance as the South African Revenue Services does not issue Tax Clearance Certificates but has made online provision available, via eFiling, for bidders to print their own Tax Clearance Status Pin which they can submit with their bids or price quotations.
- 5.14 The Municipal Manager must therefore accept original or printed copies of Tax Clearance Status Pin submitted by bidders and verify them on the eFiling. The verification result recorded must be filed for audit purposes.
- 5.15 Where a supplier does not submit a tax compliance status PIN but provides a CSD Number, the Municipal Manager must utilise the CSD Number via the CSD website www.csd.gov.za to access the supplier records and verify the tax compliance status. A print screen view at the time of verification must be attached to the supplier's records for audit purposes.
- 5.16 Where goods and services are procured from foreign suppliers with tax obligation in South Africa, proof of tax compliance status pin must be obtained from the supplier.
- 5.17 Foreign suppliers with neither South African tax obligation nor history of doing business in South Africa must complete a pre-award questionnaire on the Standard Bidding Document 1 for their tax obligation categorisation. Where a recommendation for award of a bid has been made to a bidder that responded as not being liable for taxation in South Africa, the Municipal Manager or his/her delegate must refer such a bidder to the South African Revenue Services on the following email address: GovernmentInstitute@sars.go.za and provide the following information to the South African Revenue Services:
- 5.17.1 Details of the foreign entity
 - 5.17.2 Description of goods and services being supplied by the entity; and the
 - 5.17.3 Name of the South African Government institution the bidder will be providing the goods or services to.

- 5.18 Where goods and services are procured from foreign suppliers with no tax obligation in South Africa for use by, e.g. South African Embassies or any South African office outside the country, there is no need to require proof of tax compliance status.
- 5.19 Where goods and services are imported, all custom related taxes shall be applied as prescribed by the South African Revenue Services
- 5.20 Tax Compliance Certificate issued prior to the implementation of the new system, are acceptable provided such Tax Compliant Certificates are valid. The Municipal Manager or his/her delegate must however verify the status thereof prior to the award of the bid.
- 5.21 Designated employee (s) must verify the bidder's tax compliance status prior to the finalisation of the award of the bid or price quotation.
- 5.22 Where the recommended bidder is not tax compliant, the bidder must be notified of their non-tax compliant status and be granted at least 7 working days to rectify their tax compliance status with South African Revenue Service. The bidder must thereafter provide the department with proof of its tax compliance status which must be verified through the CSD or E-filing.
- 5.23 The Accounting Officer must reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status.
- 5.24 Where goods or services have been delivered satisfactorily without any dispute, the Accounting Officer must not delay processing of payment of invoices as a result of outstanding tax matters, unless directed otherwise by SARS.

SAMPLES

- 5.25 If the submission of samples is a material part of the Bid, a clause that the submission of samples will be applicable, must be incorporated in the Bid advertisement and Bid specification.

STANDARDS

- 5.26 Material, products and system standards complying with South Africa Bureau of Standards (SABS) or equivalent authorities will take precedence over any material, products or system not complying with nationally recognized standard authorities.

PART 1- SUPPLY CHAIN MANAGEMENT APPROACH

FORMAT OF SUPPLY CHAIN MANAGEMENT SYSTEM

This Policy provides systems for –

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

These systems are unpacked as follows:

6. DEMAND MANAGEMENT

SYSTEM OF DEMAND MANAGEMENT

- 6.1 The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- 6.2 The demand management system must –
 - 6.2.1. 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;
 - 6.2.2. take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - 6.2.3. provide for the compilation of the required specifications to ensure that its needs are met.

- 6.2.4. To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

7. ACQUISITION MANAGEMENT

SYSTEM OF ACQUISITION MANAGEMENT

- 7.1 The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
- 7.1.1.that goods and services are procured by the municipality in accordance with authorised processes only;
 - 7.1.2.that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - 7.1.3.that the threshold values for the different procurement processes are complied with;
 - 7.1.4.that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation and
 - 7.1.5.that any Treasury guidelines on acquisition management are properly taken into account.
- 7.2 When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality supply chain management system, including:
- 7.2.1 the kind of goods or services; and
 - 7.2.2 the name of the supplier.

RANGE OF PROCUREMENT PROCESSES

- 7.3 Goods and services may only be procured by way of –
- 7.3.1 Petty cash purchases, up to a transaction value of R2 000 (VAT included);
 - 7.3.2 written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);

7.3.3 formal written price quotations for procurements of a transaction value over R10 000 up to R300 000 (VAT included); and a competitive bidding process for–

7.3.3.1 procurements above a transaction value of R300 000 (VAT included); and

7.3.3.2 The procurement of long-term contracts.

7.4 The accounting officer may, in writing–

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

7.4.2 direct that –

7.4.2.1 written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;

7.4.2.2 formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or

7.4.2.3 a competitive bidding process be followed for any specific procurement of a transaction value lower than R300 000.

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

GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

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

7.6.1 has furnished that provider's –

7.6.2 full name;

7.6.3 identification number or company or other registration number; and

7.6.4 tax reference number and VAT registration number, if any;

7.6.5 has authorised the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and has indicated –

7.6.5.1 whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

7.6.5.2 if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

7.6.5.3 whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (7.6.5.2) is in the service of the state, or has been in the service of the state in the previous twelve months.

LIST OF ACCREDITED PROSPECTIVE PROVIDERS

7.7 The accounting officer must procure from suppliers listed on Central Suppliers Database for the procurement requirements through written or verbal quotations and formal written price quotations.

WRITTEN OR VERBAL QUOTATIONS

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

7.8.1 Quotations must be obtained from at least three different providers whose names appear on the central suppliers database of the national treasury

7.8.2 to the extent feasible, providers must be requested to submit such quotations in writing;

7.8.3 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;

7.8.4 the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

- 7.8.5 if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

FORMAL WRITTEN PRICE QUOTATIONS

- 7.9 The conditions for the procurement of goods or services through formal written price quotations, are as follows:
- 7.9.1 quotations must be obtained in writing from at least three different providers whose names appear on the central suppliers database of national treasury;
 - 7.9.2 quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 7.7 of this Policy;
 - 7.9.3 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
 - 7.9.4 the accounting officer must record the names of the potential providers and their written quotations.
 - 7.9.5 A designated official referred to in subparagraph 7.9.3 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 subparagraph.

PROCEDURES FOR PROCURING GOODS OR SERVICES THROUGH WRITTEN OR VERBAL QUOTATIONS AND FORMAL WRITTEN PRICE QUOTATIONS

- 7.10 The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:
- 7.10.1 when using central suppliers database the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
 - 7.10.2 all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 7.9, be advertised for at least seven days on the website and an official notice board of municipality;

7.10.3 offers received must be evaluated on a comparative basis taking into account unconditional discounts;

7.10.4 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;

7.10.5 offers below R30 000 (VAT included) except petty cash must be awarded based on compliance with 80/20 preference points scoring system

7.10.6 acceptable offers, which are subject to the preference points system (revised PPR and associated regulations), must be awarded to the bidder who scored the highest points;

7.10.7 council requirements for proper record keeping.

COMPETITIVE BIDS

7.11 Goods or services above a transaction value of R300 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 7.2 of this Policy.

7.12 No requirement for goods or services above an estimated transaction value of R300 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

PROCESS FOR COMPETITIVE BIDDING

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

7.13.1 Compilation of bidding documentation as detailed in paragraph 7.15;

7.13.2 Public invitation of bids as detailed in paragraph 7.16;

7.13.3 Site meetings or briefing sessions as detailed in paragraph 7.16;

7.13.4 Handling of bids submitted in response to public invitation as detailed in paragraph 7.20;

7.13.5 Evaluation of bids as detailed in paragraph 7.35;

7.13.6 Award of contracts as detailed in paragraph 7.37;

7.13.7 Administration of contracts

7.13.8 After approval of a bid, the accounting officer and the bidder must enter into a written agreement.

7.13.9 Proper record keeping

7.13.10 Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

BID DOCUMENTATION FOR COMPETITIVE BIDS

7.14 The criteria to which bid documentation for a competitive bidding process must comply, must-

7.15 take into account –

7.15.1 the general conditions of contract and any special conditions of contract, if specified;

7.15.2 any Treasury guidelines on bid documentation; and

7.15.3 the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;

7.16 include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;

7.17 compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

7.18 if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–

7.18.1 if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –

7.18.1.1 for the past three years; or

7.18.1.2 since their establishment if established during the past three years;

7.18.2 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;

7.18.3 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;

7.18.4 a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

7.19 stipulate that the 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.

7.20 CSD summary

7.21 Valid Lease agreement in case of rental of office facilities.

7.22 Municipal clearance in respect areas exempted from billing by municipalities.

PUBLIC INVITATION FOR COMPETITIVE BIDS

7.23 The procedure for the invitation of competitive bids, is as follows:

7.23.1 Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and

7.23.2 the information contained in a public advertisement, must include –

7.23.2.1 the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT

included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph 7.17 of this policy;

7.23.2.2 a statement that bids may only be submitted on the bid documentation provided by the municipality; and

7.23.2.3 date, time and venue of any proposed site meetings or briefing sessions.

7.24 The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

7.25 Bids submitted must be sealed.

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

PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

7.27 The procedures for the handling, opening and recording of bids, are as follows:

7.27.1 Bids—

7.27.1.1 must be opened only in public;

7.27.1.2 must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and

7.27.1.3 received after the closing time should not be considered but recorded as late submission

7.27.2 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;

7.27.3 No information, except the provisions in subparagraph 7.27.2, relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

7.27.4 The accounting officer must –

7.27.4.1 record in a register all bids received in time;

7.27.4.2 make the register available for public inspection; and

7.27.4.3 publish the entries in the register and the bid results on the website.

NEGOTIATIONS WITH PREFERRED BIDDERS

7.28 The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation–

7.28.1 does not allow any preferred bidder a second or unfair opportunity;

7.28.2 is not to the detriment of any other bidder; and

7.28.3 does not lead to a higher price than the bid as submitted.

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

TWO- STAGE BIDDING PROCESS

7.30 A two-stage bidding process is allowed for –

7.30.1 large complex projects;

7.30.2 projects where it may be undesirable to prepare complete detailed technical specifications; or

7.30.3 long term projects with a duration period exceeding three years.

7.31 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.

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

COMMITTEE SYSTEM FOR COMPETITIVE BIDS

- 7.33 A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
- 7.33.1 a bid specification committee;
 - 7.33.2 a bid evaluation committee; and
 - 7.33.3 a bid adjudication committee;
- 7.34 The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- 7.35 A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- 7.36 The committee system must be consistent with –
- 7.36.1 in paragraphs 7.38, 7.42 and 7.44 of this Policy; and
 - 7.36.2 any other applicable legislation.
- 7.37 The accounting officer may apply the committee system to formal written price quotations.

BID SPECIFICATION COMMITTEES

- 7.38 A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- 7.39 Specifications –
- 7.39.1 must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - 7.39.2 must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;

- 7.39.3 must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- 7.39.4 may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
- 7.39.5 may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
- 7.39.6 must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2017 (2022); and
- 7.39.7 must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 7.23 of this Policy
- 7.39.8 must indicate each specific goals for which the points may be awarded in terms of preference points system set out in para 9.24 of this policy and preferential procurement policy 2022
- 7.40 Bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisor.
- 7.41 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

BID EVALUATION COMMITTEES

- 7.42 A bid evaluation committee must –
- 7.42.1 evaluate bids in accordance with –
- 7.42.1.1 the specifications for a specific procurement; and
- 7.42.1.2 the points system set out in terms of paragraph 7.39.8.
- 7.42.2 evaluate each bidder’s ability to execute the contract;

7.42.3 check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;

7.42.4 Submit its report and recommendations to the adjudication committee regarding the award of the bid or any other related matters

7.42.5 make recommendation which include reserved bidders where possible to be considered for appointment in case the first recommended rejects the appointment for any reason.

7.43 The bid evaluation committee must as far as possible be composed of:

7.43.1 Officials from departments requiring goods or services

7.43.2 At least one supply chain management practitioner of the municipality or municipal entity.

BID ADJUDICATION COMMITTEES

7.44 A bid adjudication committee must –

7.44.1 consider the report and recommendations of the bid evaluation committee; and

7.44.2 either –

7.44.2.1 depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or

7.44.2.2 make another recommendation to the accounting officer how to proceed with the relevant procurement.

7.44.2.3 make recommendation which include reserved bidders where possible to be considered for appointment in case the first recommended rejects the appointment for any reason

7.44.2.4 bidders must accept municipal appointment within 7 days from the date of the receipts of such appointment letter.

7.45 The bid adjudication committee must consist of at least four senior managers of the municipality or municipal entity which must include:

- 7.45.1 The chief financial officer or, if the chief financial officer is not available, any manager in the budget & treasury office reporting directly to the chief financial officer and designated by the chief financial officer
- 7.45.2 At least one Senior SCM official of the municipality
- 7.45.3 Technical expert who is an official of the municipality
- 7.46 The accounting officer must appoint chairperson of the committee. If the chairperson is absent from the meeting, the members of the committee who are present must elect one of them to preside at the meeting
- 7.47 Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- 7.48 If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
- 7.48.1 check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
- 7.48.2 notify the accounting officer.
- 7.49 The accounting officer may –
- 7.49.1 after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph 7.41; and
- 7.49.2 if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- 7.50 The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- 7.51 The accounting officer must comply with section 114 of the Act within 10 working days
- PROCUREMENT OF BANKING SERVICES**
- 7.52 A contract for banking services –

7.52.1 must be procured through competitive bids;

7.52.2 must be consistent with section 7 or 85 of the Act; and

7.52.3 may not be for a period of more than five years at a time.

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

7.54 The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 7.23 Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

PROCUREMENT OF IT RELATED GOODS OR SERVICES

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

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

7.57 The accounting officer must notify SITA together with a motivation of the IT needs if –

7.57.1 the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

7.57.2 the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

7.58 If SITA comments on the submission and the 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.

PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

7.59 The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

7.59.1 the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

7.59.2 there is no reason to believe that such contract was not validly procured;

7.59.3 there are demonstrable discounts or benefits to do so; and

7.59.4 that other organ of state and the provider have consented to such procurement in writing.

7.60 Subparagraphs 7.59.3 and 7.53.4 do not apply if –

7.60.1 a municipal entity procures goods or services through a contract secured by its parent municipality; or

7.60.2 a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

7.61 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.

7.62 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.

PROUDLY SA CAMPAIGN

7.63 The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

7.63.1 Firstly – suppliers and businesses within the municipality or district;

7.63.2 Secondly – suppliers and businesses within the relevant province;

7.63.3 Thirdly – suppliers and businesses within the Republic.

APPOINTMENT OF CONSULTANTS

- 7.64 The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- 7.65 Consultancy services must be procured through competitive bids if
- 7.65.1 the value of the contract exceeds R200 000 (VAT included);
 - 7.65.2 the duration period of the contract exceeds one year.
- 7.66 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
- 7.66.1 all consultancy services provided to an organ of state in the last five years;
and
 - 7.66.2 any similar consultancy services provided to an organ of state in the last five years.
- 7.67 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.
- 7.68 Procurement of consultancy services may be done in line with MFMA circular 82 and guidelines on gap analysis shall be obtained from Provincial Treasury.

DEVIATION FROM AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES

- 7.69 The accounting officer may –
- 7.69.1 dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - 7.69.1.1 in an emergency;
 - 7.69.1.2 if such goods or services are produced or available from a single provider only;

7.69.1.3 for the acquisition of special works of art or historical objects where specifications are difficult to compile;

7.69.1.4 acquisition of animals for zoos and/or nature and game reserves; or

7.69.1.5 In case of repairs, maintenance & service of municipal vehicles e.g. Vehicle purchased from Toyota should be serviced at Toyota

7.69.1.6 in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

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

7.70 The accounting officer must record the reasons for any deviations in terms of subparagraphs 7.69.1 and 7.69.2 of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

7.71 Subparagraph 7.70 does not apply to the procurement of goods and services contemplated in paragraph 7.2 of this policy.

UNSOLICITED BIDS

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

7.73 The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –

7.73.1 the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

7.73.2 the product or service will be exceptionally beneficial to, or have exceptional cost advantages;

7.73.3 the person who made the bid is the sole provider of the product or service; and

7.73.4 the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

7.74 If the accounting officer decides to consider an unsolicited bid that complies with subparagraph 7.73 of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

7.74.1 reasons as to why the bid should not be open to other competitors;

7.74.2 an explanation of the potential benefits if the unsolicited bid were accepted;
and

7.74.3 an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

7.75 The accounting officer must submit all written comments received pursuant to subparagraph 7.74, including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

7.76 The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

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

7.78 When considering the matter, the adjudication committee must take into account –

7.78.1 any comments submitted by the public; and

7.78.2 any written comments and recommendations of the National Treasury or the relevant provincial treasury.

7.79 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.

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

COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

7.81 The accounting officer must–

- 7.81.1 Take all reasonable steps to prevent abuse of the supply chain management system;
- 7.81.2 Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - 7.81.2.1 take appropriate steps against such official or other role player; or
 - 7.81.2.2 report any alleged criminal conduct to the South African Police Service;
- 7.81.3 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;
- 7.81.4 reject any bid from a bidder–
 - 7.81.4.1 if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - 7.81.4.2 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;
- 7.81.5 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;
- 7.81.6 cancel a contract awarded to a person if –
 - 7.81.6.1 the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - 7.81.6.2 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
- 7.81.7 reject the bid of any bidder if that bidder or any of its directors –

7.81.7.1 has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;

7.81.7.2 has been convicted for fraud or corruption during the past five years;

7.81.7.3 has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

7.81.7.4 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).

7.82 The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs 7.81.2.2 and 7.81.5 or 7.81.6 of this policy.

8. LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

LOGISTICS MANAGEMENT

8.1 The accounting officer must establish and implement an effective system of logistics management, which must include –

8.1.1.the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;

8.1.2.the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

8.1.3.the placing of manual or electronic orders for all acquisitions other than those from petty cash;

8.1.4.before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

8.1.5.appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

8.1.6.regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

8.1.7.monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

RISK MANAGEMENT

8.2 The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system should comply with the criteria laid down in the Risk Management Policy of the Municipality.

8.3 Risk management must include –

8.3.1 the identification of risks on a case-by-case basis;

8.3.2 the allocation of risks to the party best suited to manage such risks;

8.3.3 acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

8.3.4 the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

8.3.5 the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

PERFORMANCE MANAGEMENT

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

9. OTHER MATTERS

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

9.1 No award above R30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

- 9.2 Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- 9.3 If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 9.1 be presumed to be in order.

PROHIBITION ON AWARDS TO PERSONS IN THE SERVICES OF THE STATE

- 9.4 Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
- 9.4.1 who is in the service of the state;
 - 9.4.2 if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - 9.4.3 a person who is an advisor or consultant contracted with the municipality.
- 9.5 In case of misrepresentation by bidders, the process outlined on MFMA circular 62 shall be followed

AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICES OF THE STATE

- 9.6 The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 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 –
- 9.6.1 the name of that person;
 - 9.6.2 the capacity in which that person is in the service of the state; and
 - 9.6.3 the amount of the award.

ETHICAL STANDARDS

- 9.7 A code of ethical standards as set out in subparagraph 9.8 is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote –
- 9.7.1 mutual trust and respect; and

9.7.2 an environment where business can be conducted with integrity and in a fair and reasonable manner.

9.8 An official or other role player involved in the implementation of this Policy –

9.8.1 must treat all providers and potential providers equitably;

9.8.2 may not use his or her position for private gain or to improperly benefit another person;

9.8.3 may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;

9.8.4 notwithstanding subparagraph 9.8.3, 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;

9.8.5 must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;

9.8.6 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;

9.8.7 must be scrupulous in his or her use of property belonging to municipality;

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

9.8.9 must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –

9.8.9.1 any alleged fraud, corruption, favouritism or unfair conduct;

9.8.9.2 any alleged contravention of paragraph 9.15 of this Policy; or

9.8.9.3 any alleged breach of this code of ethical standards.

9.9 Declarations in terms of subparagraphs 9.8.4 and 9.8.5 –

9.9.1 must be recorded in a register which the accounting officer must keep for this purpose;

9.9.2 by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.

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

9.11 A breach of the code of ethics must be dealt with as follows –

9.11.1 in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;

9.11.2 in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.

9.11.3 In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS

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

9.12.1 any inducement or reward to the municipality for or in connection with the award of a contract; or

9.12.2 any reward, gift, favour or hospitality to –

9.12.2.1 any official; or

9.12.2.2 any other role player involved in the implementation of this Policy.

9.13 The accounting officer must promptly report any alleged contravention of subparagraph 9.12 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.

9.14 Subparagraph 9.12 does not apply to gifts less than R350 in value.

SPONSORSHIPS

9.15 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 –

9.15.1a provider or prospective provider of goods or services; or

9.15.2a recipient or prospective recipient of goods disposed or to be disposed.

OBJECTIONS AND COMPLAINTS

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

RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

9.17 The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

9.17.1 to assist in the resolution of disputes between the municipality and other persons regarding –

9.17.1.1 any decisions or actions taken in the implementation of the supply chain management system; or

9.17.1.2 any matter arising from a contract awarded in the course of the supply chain management system; or

9.17.2 to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

- 9.18 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.
- 9.19 The person appointed must –
- 9.19.1 strive to resolve promptly all disputes, objections, complaints or queries received; and
 - 9.19.2 submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- 9.20 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
- 9.20.1 the dispute, objection, complaint or query is not resolved within 60 days; or
 - 9.20.2 no response is forthcoming within 60 days.
- 9.21 If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- 9.22 This paragraph must not be read as affecting a person's rights to approach a court at any time.

CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

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

CALCULATION OF POINTS FOR SPECIFIC GOALS

9.24 Points for specific goals must be awarded to a bidder in accordance with the table below and extensive explanation and proof to support claims for has been narrated under the table

Specific Goals Categories	Number of Points (90/10 system) 10 Points breakdown	Number of Points (80/20 system) 20 Points breakdown
1. 100% Black ownership	4	10
2. 100% Women ownership	3	5
3. Youth	2	3
4. Disability	1	2

9.25 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner:

9.25.1 10 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

9.25.2 05 points will be awarded to a company that is 100% owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

9.25.3 03 points will be awarded to company that is owned 100% by youth (a copy of ID of director (s) or CSD report of the bidder will be used to verify age of director (s))

9.25.4 02 points will be awarded to a company that is owned by person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

9.26 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner:

9.26.1 04 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

9.26.2 03 points will be awarded to a company that is owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

9.26.3 02 points will be awarded to company that is owned 100% by youth (a copy of ID of director (s) or CSD report of the bidder will be used to verify age of director (s))

9.26.4 01 Points will be awarded to a company that is owned by a person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

INSTANCES WHERE BIDDER WHO SCORED HIGHEST POINTS WILL NOT BE RECOMMENDED FOR APPOINTMENT

9.27 If two or more projects of similar nature are advertised, the municipality shall consider all bids that qualify for further evaluation and in a case where one bidder is emerging as a potential supplier in more than two of those projects, the municipality will reserve the rights to allocate projects to any bidder who qualify in a manner that will be deemed fair, equitable, cost-effective and in a manner which will not compromise service delivery.

9.28 The municipality shall consider progress made on other projects already awarded to emerging bidder before final award is made.

9.29 Non-compliant Tax matters, expired CIDB, service of the state status, deregistration status, tender defaulting status, blacklisted status, municipal performance assessment tool and/or service level agreement or contracts shall be amongst others, matters to be considered to justify appointments to be made to bidders who did not score highest points.

9.30 The municipality shall apply these principles on competitive bids to be evaluated based on both 80/20 & 90/10 point scoring principle only.

VARIATION ORDERS

9.31 All variation orders will be based on National Treasury General Conditions of Contracts clause 2 & 18 respectively and General Conditions of Contracts for Construction Works (GCC 2010) clause 6.3 and 6.4.

CONSTRUCTION BIDS AMOUNTS TO BE CONSIDERED AS CONTRACT AMOUNT

9.32 Sec 118 of MFMA and CIDB Step 5.1 on how to evaluate construction related bid submissions and corrections of arithmetical errors:

- 9.32.1 The municipality will appoint contractors as per the total bid amount submitted with the bid and any arithmetical corrections shall not change total bid price.

CESSION AGREEMENTS

- 9.33 All cessions entered between the municipality & service providers shall be limited to 60% of contract price.
- 9.34 No cession should be made on orders
- 9.35 All cessions should be made with suppliers of goods or services appointed by the municipality. (no cession should be made with financial providers)

CENTRAL SUPPLIER DATABASE (CSD) REGISTRATION NUMBER FOR ALL AWARDS

- 9.36 The municipality shall make awards to suppliers that have been registered on the national treasury central database, who have central supplier database number only.

TAX CLEARANCE CERTIFICATE AND TAX COMPLIANCE STATUS (TCC & TCS)

- 9.37 The municipality shall use MFMA circular 90 – Tax Compliant Status, in relation to tax matters of suppliers and any other treasury and legislated documents e.g. Tax Compliant Pin letters

DECLARATION OF INTEREST, VERIFICATION OF TAX MATTERS & EMPLOYMENT STATUS

- 9.38 The municipality shall request MBD.4 declaration forms and verify tax matters and employment status of directors / shareholders for all bidders regardless of the procurement process followed including Transversal Contracts

INFRASTRUCTURE PROCUREMENT POLICY

- 9.39 The municipality shall make all infrastructure procurement in line with infrastructure procurement policy issued by National Treasury attached separately in line with MFMA circular 77.

BIDS ADVERTISEMENTS

- 9.40 The municipality will advertise bids in either at least one local and national newspapers or on etender portal in line with any national treasury guidelines.

COST CONTAINMENT MEASURES

9.41 The municipality shall implement cost containment measures in line with MFMA circular no.82 issued by National Treasury.

PREFERENTIAL PROCUREMENTS REGULATION,2022

9.42 All municipal procurements shall be done in line with Preferential Procurement Regulation 2022 which came into effect on the 16 January 2023.

CONFIRMATION OF BIDDING PROCESS FOR ALL BIDS IN EXCESS OF R10 MILLION (ALL TAXES APPLICABLE INCLUDED)

9.43 In line with MFMA circular no. 62, during the competitive bidding and adjudication process or before the award of a contract, accounting officer may, at his or her discretion, specifically request Internal Audit function to carry out audit procedures and provide opinion on compliance of the bidding process with Municipal Supply Chain Management Regulations, Municipal Supply Chain Management, Preferential

9.44 Procurement Regulation 2022 and all other applicable SCM legislations and MFMA circulars.

PANEL OF SERVICE PROVIDERS

9.45 The municipality shall consider appointing a panel of bidders, as and when considered necessary to fast track service delivery through competitive bidding process.

9.46 Panelists shall be allocated jobs or orders on a rotation basis as and when required by the user department.

9.47 The Budget and Treasury office with the SCM will be responsible for the rotation of the panelist.

9.48 User departments are to request for Budget and Treasury office to appoint from the panel through a memo detailing the requisite specifications to be implemented by the Chief Financial Officer and SCM Manager.

9.49 All appointed panels must have benchmark rates that are approved by the Accounting Officer and recommended by the Chief Financial Officer through the SCM office. / All appointed panels must have approved benchmark rates by the Accounting Officer, recommended by the Chief Financial Officer through the SCM office.

PART 2- PREFERENTIAL PROCUREMENT

10. IDENTIFICATION OF PREFERENCE POINT SYSTEM

10.1 An organ of state must, in the tender documents, stipulate—

10.1.1 the applicable preference point system as envisaged in regulations 4, 5, 6 or 7;

10.1.2 the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

10.2 If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—

10.2.1 an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or

10.2.2 any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

11. 80/20 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

11.1 The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

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

Where –

P_s	=	Points scored for price of tender under consideration;
P_t	=	Price of tender under consideration; and
P_{\min}	=	Price of lowest acceptable tender.

11.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner:

11.2.1. 10 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

11.2.2. 05 points will be awarded to a company that is 100% owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

11.2.3. 03 points will be awarded to company that is owned 100% by youth (a copy of ID of director (s) or CSD report of the bidder will be used to verify age of director (s))

11.2.4. 02 points will be awarded to a company that is owned by person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

11.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

11.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

12. 90/10 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE ABOVE R50 MILLION.

12.1 The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

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

Where-

P_s	=	Points scored for price of tender under consideration;
P_t	=	Price of tender under consideration; and
P_{\min}	=	Price of lowest acceptable tender.

12.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner:

12.2.1 04 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

12.2.2 03 points will be awarded to a company that is owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

12.2.3 02 points will be awarded to company that is owned 100% by youth (a copy of ID of director (s) or CSD report of the bidder will be used to verify age of director (s))

12.2.4 01 Points will be awarded to a company that is owned by a person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

12.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

12.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

13. 80/20 PREFERENCE POINTS SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

13.1 The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{max} = Price of highest acceptable tender.

13.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner:

13.2.1 0 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

13.2.2 05 points will be awarded to a company that is owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

13.2.3 03 points will be awarded to company that is owned 100% by youth (a copy of ID of director (s) or CSD report of the bidder will be used to verify age of director (s))

13.2.4 02 Points will be awarded to a company that is owned by a person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

13.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

13.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

14. 90/10 PREFERENCE POINT SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE ABOVE R50 MILLION

14.1 The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where -

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

Pmax =Price of highest acceptable tender.

14.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner:

14.2.1 04 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

14.2.2 03 points will be awarded to a company that is owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

14.2.3 02 points will be awarded to company that is owned 100% by youth (a copy of ID of director (s) or CSD report of the bidder will be used to verify age of director (s)

14.2.4 01 Points will be awarded to a company that is owned by a person/persons with disability (Medical certificate will be used to verify the disability status of the bidder) and

14.3 The points scored for the specific goals must be added to the points scored for prices and the total must be rounded off to the nearest two decimal places.

14.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

15. CRITERIA FOR BREAKING DEADLOCK IN SCORING

15.1 If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.

15.2 If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots

16. REMEDIES

16.1 If an organ of state is of the view that a tenderer submitted false information regarding a specific goal, it must—

16.1.1. inform the tenderer accordingly; and

16.1.2. give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been

awarded to the tenderer, the contract should not be terminated in whole or in part.

16.2 After considering the representations referred to in sub regulation (1)(b), the organ of state may, if it concludes that such information is false—

16.2.1. disqualify the tenderer or terminate the contract in whole or in part; and

16.2.2. if applicable, claim damages from the tenderer.

17. REPEAL OF REGULATIONS

17.1 Subject to this regulation, the Preferential Procurement Regulations, 2017 published in Government No. 40553 of 20 January 2017, are hereby repealed with effect from the date referred to in regulation 11.

17.2 Any tender advertised before the date referred to in regulation 11 must be dealt with in terms of the Preferential Procurement Regulations, 2017.

18. ROLES AND RESPONSIBILITIES

COUNCIL

18.1 The Council reserves its right to maintain oversight over the implementation of this Policy

18.2 Therefore, the accounting officer must –

18.2.1 within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipal

18.2.2 whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

18.3 The accounting officer, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

18.4 Ensure the reports must be made public in accordance with section 21A of the Municipal Systems Act.

SUPPLY CHAIN MANAGEMENT UNIT

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

18.6 The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

19. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

19.1 The Council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –

19.1.1. to discharge the supply chain management responsibilities conferred on accounting officers in terms of –

19.1.1.1. Chapter 8 or 10 of the Act; and

19.1.1.2. this Policy;

19.1.2. to maximise administrative and operational efficiency in the implementation of this Policy;

19.1.3. to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

19.1.4. to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

19.2 Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (20.1).

19.3 The accounting officer may not subdelegate any supply chain management powers or duties to a person who is not an official the municipality or to a committee which is not exclusively composed of officials of the municipality;

19.4 This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided.

20. SUBDELEGATIONS

20.1 The accounting officer may in terms of section 79 or 106 of the Act subdelegate any supply chain management powers and duties, including those delegated to the

accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph 21.2 of this paragraph and paragraph 20 of this Policy.

20.2 The power to make a final award –

20.2.1. above R10 million (VAT included) may not be subdelegated by the accounting officer;

20.2.2. above R2 million (VAT included), but not exceeding R10 million (VAT included), may be subdelegated but only to –

20.2.2.1. the chief financial officer;

20.2.2.2. a director; or

20.2.2.3. a bid adjudication committee of which the chief financial officer or a director is a member; or

20.2.3. not exceeding R2 million (VAT included) may be subdelegated but only to –

20.2.3.1. the chief financial officer;

20.2.3.2. a director;

20.2.3.3. a manager directly accountable to the chief financial officer or a director; or

20.2.3.4. a bid adjudication committee.

20.3 An official or bid adjudication committee to which the power to make final awards has been subdelegated in accordance with subparagraph 21.2 must within five days of the end of each month submit to the official referred to in subparagraph 21.4 a written report containing particulars of each final award made by such official or committee during that month, including–

20.3.1. the amount of the award;

20.3.2. the name of the person to whom the award was made; and

20.3.3. the reason why the award was made to that person

20.4 A written report referred to in subparagraph 21.3 must be submitted –

20.4.1. to the accounting officer, in the case of an award by –

20.4.1.1. the chief financial officer;

20.4.1.2. a senior manager; or

20.4.1.3. a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

20.4.2. to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –

20.4.2.1. a manager referred to in subparagraph 20.2.3.3 or

20.4.2.2. a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

20.5 Subparagraph 21.3 and 21.4 of this policy do not apply to procurements out of petty cash.

20.6 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been subdelegated, to make a final award in a competitive bidding process otherwise than through the committee system provided.

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

21. IMPLEMENTATION

21.1 All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that

21.2 gives effect to –

21.2.1. section 217 of the Constitution; and

21.2.2. Part 1 of Chapter 11 and other applicable provisions of the Act;

21.3 is fair, equitable, transparent, competitive and cost effective;

21.4 complies with –

21.4.1. the Regulations; and

21.4.2. any minimum norms and standards that may be prescribed in terms of section 168 of the Act;

21.5 is consistent with other applicable legislation;

21.6 does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and

21.7 is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

22. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

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

23. LEGISLATIVE AND REGULATORY FRAMEWORK

23.1 The Constitution of the Republic of South Africa, 1996

23.2 Municipal Finance Management Act, Act no 56 of 2003

23.3 Municipal Supply Chain Management Regulations, as amended

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

23.5 Preferential Procurement Regulation, 2022

23.6 MFMA Circulars.

24. STAKEHOLDER ENGAGEMENT

24.1 All the relevant stakeholders internal and external will be consulted through the development and implementation of this policy.

25. MONITORING AND EVALUATION

25.1 On a continuous basis this policy will be assessed to determine its relevance and effectiveness and to assess whether it has achieved the intended objectives.

26. CONCLUSION

- 26.1 It is important to note that any failure to comply with the rules and the standards set out in this policy will be regarded as a misconduct. All misconduct or breach will be dealt with within the municipal appropriate disciplinary procedures.

27. AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

- 27.1 The accounting officer must –

27.1.1. at least annually review the implementation of this Policy; and

27.1.2. when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council.

- 27.2 If the accounting officer submits proposed amendments to the Council that differs from the model policy issued by the National Treasury, the accounting officer must:

27.2.1. ensure that such proposed amendments comply with the Regulations; and

27.2.2. report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

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

28. ANNEXURE

- 28.1 Business Process Map

- 28.2 Standard Operating Procedure

- 28.3 Annexure A: Local government Framework for Infrastructure Delivery and Procurement Management