**DITSOBOTLA**

**LOCAL MUNICIPALITY**

****

**Supply Chain Management Policy**

**2023/2024**

(Incorporating Preferential Procurement)

**ABBREVIATIONS**

|  |  |
| --- | --- |
| ABBREVIATIONS | DEFINITIONS |
| 1. SCM | Supply Chain Management |
| 1. BBBEE | Broad-Based Black Economic Empowerment |
| 3.CIDB | Construction Industry Development Board |
| 4.HDI | Historically Disadvantaged Individual |
| 5.MFMA | Municipal Finance Management Act |
| 6. PPPFA | Preferential Procurement Policy Framework Act” |
| 7.SARS | South African Revenue Services |
| 8.VAT | Value Added Tax (VAT). |

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**DEFINITIONS**

1. In this Supply Chain Management Policy unless the context indicates otherwise.

1.1 **“Adjudication points”:** means the points referred to in the Preferential Procurement Regulations, 2001 and the Preferential Procurement section of this policy, also referred to as “evaluation points”.

1.2 **“Bidder”:** means any person submitting a bid.

1.3 **“Broad-Based Black Economic Empowerment (BBBEE) Act”:**means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.

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

1.5 **“Municipal Manager”**: means the Accounting Officer as defined in the Municipal Finance Management Act.

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

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

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

1.9 “Community Based Vendor”: means a supplier of goods, services, and/or construction works who resides in a target area or community and who is registered as such on the Municipality’s Supplier database.

1.10 “Construction Industry Development Board (CIDB) Act”: means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.

1.11 “Construction Works”: means any work in connection with:

1.11.1 the erection, maintenance, alteration, renovation, repair, demolition, or dismantling of or addition to a building or any similarstructure.

1.11.2 the installation, erection, dismantling, or maintenance of a fixedplant.

1.11.3 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

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

1.12 “Consultant”: means a person or entity providing services requiring knowledge-basedexpertise and includes professional service providers.

1.13 “Contract”: means the agreement, which is concluded when the Municipality accepts, in writing, a bid or quote submitted by a provider.

1.14 “Contractor”: means any person or entity whose bid or quote has been accepted by the Municipality.

1.15 “Contract participation goal”: means the amount equal to the sum of the value of work for which the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum less provisional sums, contingencies, and VAT.

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

1.17 Delegated Authority”: means any person or committee delegated with authority by the Municipality in terms of the provisions of the MunicipalFinance Management Act.

1.18 “Disability”: means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner or the range considered normal for a human being.

1.19 “Electronic Bulletin Board”: means an electronic method of obtaining bids or quotations.

1.20 “Empowerment Indicator”: means a measure of an enterprise/business’s contribution towards achieving the goals of the government’s Reconstruction and Development Program. This indicator will relate only to certain specific goals for this Policy.

1.21 “Evaluation Points”: also referred to as “Adjudication Points” (see clause 1.1 above).

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

1.23 “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.

1.24 “Functionality”: means the suitability of a proposal, design, or product for the use for which it is intended, also referred to as “Quality”.

1.25 “Historically Disadvantaged Individual (HDI)”: means a South African citizen:

1.25.1 who, due to the apartheid policy that had been in place, had no franchise in national elections beforethe introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or

1.25.2 who is a female; and/or

1.25.3 who has a disability.

1.26 “Implementing Agent”: means the decision maker/manager mandated by the Municipality to implement projects and invite bids/quotations for procurement of any nature.

1.27 “In the service of the state”: means:

1.27.1 a member of any municipal council, any provincial legislature or the National Assembly, or the National Council of Provinces.

1.27.2 an official of any municipality or municipal entity.

1.27.3 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, 1 of 1999.

1.27.4 a member of the board of directors of any municipal entity.

1.27.5 a member of the accounting authority of any national or provincial public entity; or

1.27.6 an employee of Parliament or a provincial legislature.

1.28 “Municipal Entity”: means an entity as defined in the Systems Act.

1.29 “Municipal Finance Management Act” (MFMA): means the Local Government: Municipal Finance Management Act, 56 of 2003.

1.30 “Person”: includes a natural or juristic entity.

1.31 “Policy”: means this Supply Chain Management Policy is

amended from time to time.

1.32 “Preference points”: mean the points for preference referred to in this policy.

1.33 “Preferential Procurement Policy Framework Act” (PPPFA): means the Preferential Procurement Policy Framework Act, 5 of 2000.

1.34 “Preferential Procurement Regulations”: means the regulations about the PPPFA.

1.35 “Prime Contractor”: shall have the same meaning as “Contractor”.

1.36 “Promotion of Administrative Justice Act”: means the Promotion of Administrative Justice Act, 3 of 2000.

1.37 “Quality”: also referred to as “Functionality” (see clause 1.24 above).

1.38 “Republic”: means the Republic of South Africa.

1.39 “Responsible Agent”: means those internal project managers being Municipality officials or external consultants appointed by the Municipality responsible for the administration of a project or contract.

1.40 “SARS”: means the South African Revenue Services.

1.41 “Small, Medium and Micro Enterprises (SMMEs)”: bears the same meaning assigned to this expression in the National Small Enterprise Act, 102 of 1996.

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

1.43 “Supplier”: this is a generic term that may include suppliers of goods and services, contractors and/or consultants.

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

1.45 “Supply Chain Management (SCM) Regulations”: means the Municipal Supply Chain Management Regulations published in Government Gazette 27636 of 30 May 2005.

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

1.47 “Tender/Tenderer”: means “bid/bidder” in the context of construction works procurement.

1.48 “Treasury Guidelines”: means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA.

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

2. Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, closed corporations, and firms, unless the context indicates otherwise.

3. All amounts/limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT).

**POLICY STATEMENT**

***Introduction***

4. Section 111 of the Municipal Finance Management Act requires eachmunicipality and municipal entity to adopt and implement a supply chainmanagement policy, which gives effect to the requirements of the Act.

5. In addition, the Preferential Procurement Policy Framework Act requires anOrgan of State to determine its Preferential Procurement Policy and toimplement it within the framework prescribed. This requirement is giveneffect in the Preferential Procurement section of this Policy.

***Goal***

6. The goal of this Policy is to provide a mechanism to ensure sound,sustainable and accountable supply chain management within the Ditsobotla Local Municipality, whilst promoting black economic empowerment, which includesgeneral principles for achieving the following socio-economic objectives:

6.1 To stimulate and promote local economic development in a targeted and focused manner.

6.2 To facilitate the creation of employment and business opportunities for the people of Ditsobotla with references.

6.3 To promote the competitiveness of local businesses.

6.4 To increase the small business sector access, in general, to procurement business opportunities created by Council.

6.5 To increase participation by small, medium, and micro enterprises (SMMEs); and

6.6 To promote joint venture partnerships.

***Objectives***

7. The objectives of this Policy are:

7.1 To give effect to section 217 of the Constitution of the Republic ofSouth Africa by implementing a system that is fair, equitable,transparent, competitive, and cost-effective.

7.2 To comply with all applicable provisions of the Municipal FinanceManagement Act including the Municipal Supply Chain ManagementRegulations published under GN868 in Government Gazette 2763630 May 2005 and any National Treasury Guidelines issued in termsof the MFMA.

7.3 To ensure consistency with all other applicable legislation and anyregulations pertaining thereto, including:

7.3.1 The Preferential Procurement Policy Framework Act.

7.3.2 The Broad-Based Black Economic Empowerment Act.

7.3.3 The Construction Industry Development Board Act.

7.3.4 The Local Government: Municipal Systems Act; and

7.3.5 The Promotion of Administrative Justice Act

8. This Policy will also strive to ensure that the objectives for uniformity insupply chain management systems between organs of state, in all spheres, are not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

***Compliance with Ethical Standards***

15. To create an environment where business can be conducted with integrity and fairly and reasonably, this Policy will strive to ensure that the Municipal Manager and all representatives of the Ditsobotla Local Municipality involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.

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

**GENERAL PROVISIONS AND APPLICATION OF POLICY**

**Commencement, Review, and Amendment of the supply chain management policy**

This Policy is effective from the date on which it is adopted by Council.

(1) The accounting officer must:

(a) at least annually review the implementation of this Policy; and

(b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council Meeting.

(2) If the accounting officer submits proposed amendments to the Council Meeting

that differs from the model policy issued by the National Treasury, the accounting officer must:

(a) ensure that such proposed amendments comply with the Regulations; and

(b) 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 all spheres of government 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 considered.

***Application of Policy***

19. This Policy applies to:

19.1 the procuring of goods or services, including construction works andconsultant services.

19.2 the disposal by the Municipality of goods no longer needed.

19.3 the selection of contractors to aid in the provision ofmunicipal services otherwise than in circumstances where chapter 8 of the Systems Act applies.

19.4 the selection of external mechanisms referred to in section 80 (1) (b)of the Systems Act for the provision of municipal services incircumstances contemplated in section 83 of that Act.

20. Unless specifically stated otherwise, this Policy does not apply if the Municipalitycontracts with another organ of state for:

20.1 the provision of goods or services to the Municipality.

20.2 the provision of municipal service.

20.3 the procurement of goods and services under a contract secured bythat other organ of state, provided that the relevant supplier has agreed to such procurement.

**Delegation of supply chain management powers and duties**

* 1. The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer -

(a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –

(i)Chapter 8 or 10 of the Act; and

(ii)this Policy.

(b) to maximize administrative and operational efficiency in theimplementation of this Policy.

(c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism, and unfair and irregular practices in the implementation of this Policy; and

(d) to comply with his or her responsibilities in terms of section 115 andother applicable provisions of the Act.

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 (1).

The accounting officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the Ditsobotla local municipality or to a commit that is not exclusively composed of officials of the municipality.

This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy. Where delegations have been given to any official of the municipality, the application of section 79 and section 106 of MFMA need to be considered.

All delegations must be in writing to individual officials in Senior management positions. A delegation does not prevent the delegator who made the delegation or granted the authorization from exercising that power or performing the duty. Such action by the delegator must however be communicated to the delegate to avoid duplication and wasteful expenditure. Any delegation may at any time be withdrawn by the delegator subject to the governing legislation. The accounting officer must delegate a power or function to a specific individual or the holder of a post. A delegation to the holder of a post will however ensure the continuation of service delivery in instances

Sub delegations where another person lawfully acts in a position with associated delegated powers and duties.

A municipality’s system of delegation must be reviewed when a new council is elected or appointed or when a new municipal manager is appointed or when there is a change to the organizational structure due to reorganizing or restructuring or there are amendments to municipal policies or legislation.

The Municipality must ensure that the delegates to whom a power or function is delegated have the required capacity and skills to perform a particular power or function. (MFMA Circular 73).

**Sub delegations**

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

The power to make a final award –

(a)above R10 million (VAT included) may not be sub-delegatedby theaccounting officer.

(b)above R2 million (VAT included), but not exceeding R10 million (VAT included), maybesub-delegated but only to –

(i) the chief financial officer.

(ii) a senior manager; or

(iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(c) not exceeding R2 million (VAT included) may be sub-delegated but only to –

(i) the chief financial officer.

(ii) a senior manager.

(iii) a manager directly accountable to the chief financial officer or a senior manager; or

(iv) a bid adjudication committee.

An official or bid adjudication committee to which the power to make final awards has been sub-delegatedby subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–

(a) the amount of the award;

(b) the name of the person to whom the award was made; and

(c) the reason why the award was made to that person.

(4) A written report referred to in subparagraph (3) must be submitted –

(a) to the accounting officer, in the case of an award by –

(i) the chief financial officer.

(ii) a senior manager; or

(iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(b)to the chief financial officer or the senior managerresponsible for the relevant bid, in the case of an award by–

(i) a manager referred to in subparagraph (2)(c)(iii); or

(ii) a bid adjudication committee of which the chieffinancial officer senior management is not a member officer.

**petty cash does not apply to the Ditsobotla Local Municipal SCM unit**

*This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in Section 26 of the Supply Chain Management regulations.*

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

**The oversight role of the council**

(1) The Council reserves its right to maintain oversight over the implementation of this Policy.

(2) For such oversight the accounting officer must:

(i) within 30 days of the end of each financial year, submit a report on the implementation

of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the Council of the municipality; and

(ii) whenever there are serious and material problems in the implementation of this 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 Executive Mayor.

(4) The reports must be made public by section 21A of the Municipal Systems Act.

**Supply chain management unit**

(1) A supply chain management unit is hereby established to implement this, Policy.

(2) 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.

**Competency**

The Municipal Manager shall ensure that all persons involved in the implementation of this Policy meet the prescribed competency levels, and where necessary, shall provide relevant training.

**Training of supply chain management officials**

The training of officials involved in implementing this Policy should be by any Treasury guidelines on supply chain management training

The training of officials involved in implementing this Policy shall be in accordance with any National Treasury guidelines on supply chain management training.

**The Policy provides for the following supply chain management systems**

(i) demand management.

(ii) acquisition management.

(iii) logistics management.

(iv) disposal management.

(v) risk management; and

(vi) performance management.

**DEMAND MANAGEMENT SYSTEMS**

Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of the Municipality are delivered at the correct time, at the right price, and the right location, and that the quantity and quality satisfy the needs of the Municipality.

The Municipality’s Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the Municipality intends to tackle its development challenges in a financial year. It is based on the IDP that the resources of the municipality will be allocated and on which the budget is based.

To achieve effective demand management, the Head of theSupply Chain Management unit shall continuously ensure:

a) That efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of services to the communities.

b) The establishment of uniformity in policies, procedures, documents, and contract options and the implementation of sound systems of control and accountability.

c) The development of a world-class professional supply chain management system which results in continuous improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.

d) In dealing with suppliers and potential suppliers, the Municipalityshall respond promptly, courteously, and efficiently to enquiries, suggestions, and complaints.

***Major Activities***

1. Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:
2. establishing requirements.
3. determining needs; and
4. deciding on appropriate procurement strategies.
5. Demand management accordingly shall involve the following activities:
6. understanding the future needs
7. identifying critical delivery dates.
8. identifying the frequency of the need.
9. linking the requirement to the budget.
10. conducting expenditure analyses based on past expenditures.
11. determining requirements,
12. conducting commodity analyses to check for alternatives; and
13. conducting industry analyses.

**ACQUISITION MANAGEMENT SYSTEM**

The objectives of this acquisition management system are to ensure:

1. Those goods and services are procured by the Ditsobotla Local Municipality by the authorized procedures incorporated herein.
2. That expenditure on goods and services, is incurred in terms of an approved budget are in line with section 15.
3. That the threshold values of the different procurement procedures are complied with.
4. that bid documentation, evaluation and adjudication criteria, and general conditions of the contract are in accordance the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act; and
5. that procurement guidelines issued by the National Treasury are considered.

***General***

**Application**

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

**List of accredited prospective providers**

**Municipal Database**

The Municipal Manager shall ensure that the Municipality’s supplier database is updated at least monthly and at least once per year and shall, through newspaperscommonly circulating locally, the website of the Municipality, and any otherappropriate ways, invite prospective suppliers of goods and services,construction works and consultant services to apply for listing as an accredited prospective supplier.

**Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time.**

**The listing criteria for accredited prospective providers are:**

1. Name of supplier / service provider.
2. Street address
3. Postal address.
4. Contact person in Sales Department.
5. Sales Department’s telephone number.
6. Sales Department’s fax number.
7. Sales Department’s cell number.
8. Sales Department’s email address.
9. Contact person in Accounts Department.
10. Accounts Department’s telephone number.
11. Accounts Department’s fax number.
12. Accounts Department’s email address.
13. Vat registration yes/no.
14. Vat registration number.
15. Bank details.
16. Type of industry.
17. Valid certification for specializedservices.
18. Valid tax clearance certificate.
19. CIDB registration if applicable.
20. Valid certification of HDI Status.

at least once a year through newspapers commonly circulating locally, the website, and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers.

The Municipal Manager shall disallow the listing of any prospective provider whose name appears on the National Treasury’s database as a person prohibited from doing business with the public sector.

Bidders who are not registered on the Supplier Database are not precludedfrom submitting bids. Contracts, however, may not be concluded with bidders who are not registered and verified on the supplier database.

**Suppliers can use the following link to register: www.csd.gov.za**

The list must be updated at least quarterly to include any additional prospective providers and new commodities or types. 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.

Ensure that system vendors follow the National Treasury Integration Job Aid file which will ensure that the municipal financial system reintegrated with the web-based central supplierdatabase.

Ensure that the supplier chain management officials and other officials use the central supplier

database online search engines for verification purposes.

The municipality must use the central supplier database supplier number starting with (MAAAwhich is auto-generated by the central supplier database system after the successful registration and validation of the prospective provider as a mandatory requirement as part of the listing criteria for accrediting. The central supplier database will automatically validate the following registration documents for the municipality:

a) Confirmation and status of Business Registration Documents.

b) Proof of Bank Account Registration.

c) Tax Compliance status.

d) Employee in the service of the state as defined in the Municipal Supply Chain Management.

e) Identity Document

f) Tender Defaulters and restriction status.

The municipality must verify other listing criteria which are not currently validated by the Web-BasedCentralized Supplier Database, i.e.

a) BBBEE Status

b) CIDB

c) Municipal Account Status

The list must be compiled per commodity and per type of service. The number ofservices and or commodities shall be limited to five (05) per supplier. (MFMA Circular 81)

***Specialized Forms of Procurement***

**Acquisition of Goods or Services from other Organs of State or Public Entities**

In the case of goods or services procured from another organ of state or public entity (including the Department of Water Affairs, Eskom, or any others, such procurement shall be made public, giving details of the nature of re goods or services to be procured and the name/s of thesupplier/s.

**Acquisition of Goods and Services under Contracts secured by other Organs**

**of State**

1. The Municipality may procure goods or services under a contract secured by another organ of state, but only if
2. the contract has been secured by that other organ of state using a competitive bidding process applicable to that organ of state.
3. the municipality or entity has no reason to believe that such contract was not validly procured.
4. there are demonstrable discounts or benefits for the municipality or entity to do so; and
5. that other organs of state and the provider have consented to such procurement in writing.

**Acquisition of Banking Services**

1. Subject to section 33 of the Municipal Finance Management Act, any contract for the provision of banking services:
2. shall be procured through a competitive bidding process.
3. shall be consistent with section 7 of the Municipal Finance Management Act; and
4. may not be for a period longer than five years.
5. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
6. The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in a newspaper commonly circulating locally.
7. Bids shall be restricted to banks registered in terms of the Banks Act, 94 of1990.

**Acquisition of IT Related Goods or Services**

1. If the transaction value of IT-related goods or services exceeds R50 million in any financial year, or if the transaction value of a single contract (whether forgone or more years) exceeds R50 million, the Municipal Manager must notify the State Information Technology Agency (SITA) together with a motivation of the IT needs of the Municipality.
2. If SITA comments on the submission and the Municipality disagrees with such comment, the comments, and the reasons for rejecting or not following such comments must be submitted to the Council, the Provincial and National Treasury, and the Auditor General before awarding the bid.
3. Notwithstanding the above, the Municipal Manager may request the SITA to assist with the acquisition of IT-related goods or services in which case the parties must enter into a written agreement to regulate the services provided by, and the payments to be made to, the SITA.

**Acquisition of Goods Necessitating Special Safety Arrangements**

Goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired more than immediate requirements unless there is sound financial justification, therefore.

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

**Public-Private Partnerships**

Part 2 of chapter 11 of the MFMA applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will havemulti-year budgetary implications for the Municipality within the meaning of that section.

**Publications in Newspapers**

In respect of any contract relating to the publication of official and legal notices and advertisements in the press by or on behalf of the Municipality, there is no requirement for a competitive bidding process to be followed.

**Community-Based Vendors**

The Head of the Supply Chain Unit may request quotations directly fromCommunity-Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less thanR30 000 (including construction works).

***Range of Procurement Processes***

Goods and services, including construction the on works and consultant services,sub-delegitimated rough the range of procurement processes set out below.

**Competitive Bids**

Where the estimated transaction value exceeds R200 000 (VAT inclusive), or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

**Annual Bids**

For the supply of goods and services or construction works that is of an ad-hoc or repetitive nature for a predetermined period.

**Three Formal Written Closed envelopes Price Quotations**

Where the estimated transaction value exceeds R30 000 (VAT inclusive) and is less than or equal to R200 000 (VAT inclusive).

**Three Written Price Quotations**

Where the estimated transaction value exceeds R2 000 (VAT inclusive) andis less than or equal to R30 000 (VAT inclusive).

**Procurement of Consulting Services**

Where the estimated value of fees exceeds R200 000 (VAT inclusive) or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.

Where the estimated value of fees is less than or equal to R200 000 (VAT inclusive) and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.

**Reduction in Threshold Values**

The Municipal Manager may:

1. lower, but not increase, the different threshold values specified in the acquisition management system of this Policy: or
2. direct that:
3. written quotations be obtained for any specific procurement of a transaction value lower than R2 000.
4. formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000; or
5. a competitive bidding process be followed for any specific procurement of a transaction value higher than R200 000.

***General preconditions for consideration of written Quotation or Bids***

The Municipality shall not consider a bid or quote unless the bidder who submitted the bidor

quote: has furnished the Municipality with that bidders:

1. full name.
2. identification number or company or another registration number; and
3. tax reference number; and
4. VAT registration number, if any.
5. certificate of attendance at a compulsory site inspection,where applicable.
6. has submitted an original and valid tax clearance certificate certifyingthat the provider’s tax matters are in order; and

has indicated whether:

1. The provider is in the service of the state or has been in the service of the state in the previous twelve months.
2. If the provider is not a natural person, whether any of thedirectors, managers, principleshareholders,or stakeholders is in the service of the state, or has been inthe service of the state in the previous twelve months; or
3. Whether a spouse, child, or parent of the provider or of adirector, manager, shareholder, or stakeholder referred to in sub-clause
4. is in the service of the state or hasbeen in the service of the state in the previous twelvemonths.

Irrespective of the procurement process, the Municipality may not make any awardabove R15 000, to a person whose tax matters have not been declared by theSARS to be in order.

Before making an award, the Municipality must check with SARS if the person’s taxmatters are in order, and, if SARS does not respond within seven days suchperson’s tax matters may, for the purposes of clause 74, be presumed tobeg orordered

**Irrespective of the procurement process followed, the Municipality is prohibited frommaking an award to a person:**

* Who is in the service of the state?
* If the person is not a natural person, of which any director, manageror principal shareholder, or stakeholder is in the service of the state;or
* Who is an advisor or consultant contracted with the Municipality (refer toclause 93 in this regard)?

The Municipal Manager shall ensure that the notes to the annual financialstatements of the Municipality must disclose particulars of any award above R2000 toa person who is a spouse, child, or parent of a person in the service of thestate, or who has been in the service of the state in the previous twelvemonths, including:

* The name of the person.
* Themunicipality in which the person is in the service of the state: and
* The amount of the award.

**Competitive Bids**

**General**

Competitive bids must be called for any procurement of goods or services,construction works, or consultant services above a transaction value ofR200 000 (VAT inclusive), or for any contract exceeding one year in duration.

Goods or services, construction works, or consultant services may not be split into parts or items of lesser value merely to avoid complying with the requirements relating to competitive bids.

When determining transaction values, a requirement for goods or services, construction works, or consultant services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

**Bid Specifications**

* Bid specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.
* Bid specifications must take account of any accepted standards such as those issued by South African National Standards, the International StandardsOrganization, or any authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply.
* Bid specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
* Bid specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking, or labelling of conformity certification.
* Bid specifications may not make any reference to any trademark, 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 “or equivalent”.
* Bid specifications and/or bid documentation must indicate each specific goal for which adjudication points may be awarded.
* Bid specifications and/or bid documentation must be approved by the Municipal Manager or his delegated authority before publication of the invitation forbids.
* Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.
* All bid specifications and bid documentation must be compiled by an Adhocspecification committee constituted for each project or procurement activity.
* The Bid Specification Committee shall be comprised of at least four Municipality officials, an appointed Chairperson, the Project Manager/representative from the end-user department, at least one Supply Chain Management Practitioner of the Municipality and one official on management level.
* Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
* The Municipal Manager, or his delegated authority, shall, considering section 117 of the MFMA, appoint the members of the Bid Specification Committee.
* No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.
* Bid Specification Committee meetings must be conducted by the applicable Rules of Order Regulating the Conduct of Meetings.

**Compilation of Bid Documentation**

* If the bid relates to construction works as contemplated by the Construction Industry Development Board Act, then the requirements of that Act must be considered in the bid documentation.
* General conditions of contract and supply chain management guidelines ofthe National Treasury in respect of goods and services must be considered when compiling bid documents.
* Bid documentation must indicate the terms and conditions of contract the , specifications, criteria for evaluation and, adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory.
* An appropriate contract and/or delivery period must be specified for all contracts.
* The requirements of the preferential procurement section of this Policy must be clearly set out in the bid documentation.
* The bid documentation and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive, and cost-effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this Policy.

**The bid documentation must require a bidder to furnish the following:**

* the bidder’s full name.
* the identification number or company or another registration number.
* the bidders tax reference number and VAT registration number, if any; and
* an original valid tax clearance from the South African Revenue Services stating that the bidders tax matters are in order.
* Summary of CSD report
* Municipal account not older than three

Bid documentation must stipulate that dispute must be settled by means of mutual consultation, mediation (with or without legal representation) or, were unsuccessful, in a court of South African law.

A provision for the termination of the contract in the case of non- or underperformance must be included in the bid documentation.

Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred in the preparation and/or submission of a bid.

Bid documentation must state that the Municipality shall not be obliged to accept the lowest bid, any alternative bid, or any bid.

Unless the Municipal Manager otherwise directs bids are invited in the Republic only.

Laws of the Republic shall govern contracts arising from the acceptance of bids.

Bid documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.

**The bid documentation must require bidders to disclose:**

* 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.
* if the bidder is not a natural person, whether any of its directors, managers, principal shareholders, or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
* whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-clause 109.2is in the service of the state or has been in the service of the state in the previous twelve months.
* Bid documentation for consultant services must require bidders to furnish the Municipality with particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last five year.
* Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by the Municipality, shall vest in the Municipality.

**Bids exceeding R10 million**

* If the estimated value of the transaction exceeds R10 million, the bid documentation must require the bidders to furnish:
* if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
* for the past three years, or
* since their establishment if established during the past three years,
* 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,
* particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any materialnon-compliance or dispute concerning the execution of such contract, and
* 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 Municipalityis expected to be transferred out of the Republic.

**Alternative Bids**

* Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
* An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked “Alternative Bid” to distinguish it from the unqualified bid referred to above.
* Bid documentation shall state that the Municipality will not be bound to consider alternative bids.

**Public Invitation for Competitive Bids**

116. On completion of the bid specification and bid document processes the Municipality shall publicly invite bids.

117. Bid invitation shall be by notice published in the press, in newspapers circulating in the Ditsobotla Local Municipality Area, in English, in the Municipality’s official website or at disseminationcenters as applicable or any other appropriate ways.

118. The bid notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the Municipal Manager.

119. The bid notice may require payment of a non-refundable deposit by bidders wanting to collect bid documents. This deposit shall be determined as follows:

- Bid document for a project with a total project cost less than R500 000.00 will cost R500.00.

- Bid document for a project with a total project cost more than R500 000.00 will cost R1 000.00.

**The public notice contemplated by clause 117 above shall specify:**

* the title of the proposed contract and the bid or contract reference number
* such particulars of the contract as the Municipality deems fit.
* the date, time, and location of any site inspection, if applicable.
* the place where the bid documentation is available for collection and the times between which bid documentation may be collected.
* that bids may only be submitted on the bid documentation provided by the Municipality.
* the deposit payable, if any.
* the place where bids must be submitted.
* the closing date and time for submission of bids; and
* the required CIDB contractor grading for construction work.

The bid notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.

Bid documentation shall be available for collection until the closing date of bids.

**Issuing of Bid Documents**

* Bid documents and any subsequent notices may only be issued by officials designated by the Head of Supply Chain Management Unit from time to time.
* Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain confidential for the duration of the bid period.
* Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

**Site Inspection**

* In general, site inspections, where applicable will not be compulsory. In exceptional circumstances however, a site inspection may be made compulsory with the approval of the Head of the Supply Chain Unit, provided that the minimum bid period is extended by at least 7 (seven) days (refer to clauses 153 to 155 in this regard).
* If site inspections are to be held, full details must be included in the bid notice, including whether the site inspection is compulsory.
* Where site inspections are made compulsory, the date for the site inspection shall be at least 7 (seven) days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.
* If at a site meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with clauses 160 to 162 of this Policy.

**Two-stage (Prequalification) Bidding Process**

* In a two-stage (prequalification) bidding process, bidders are first invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.
* In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
* This process may be applied to bids for large complex projects of a specialist orlong-term nature or where there is legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding three years.
* The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids (clauses 116 to 122 refer).
* Once bidders have pre-qualified for a particular project, they shall be given not less than 7 (seven) days to submit a final technical proposal (where applicable and/or a financial offer.

**Two Envelope System**

A two-envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated (clauses 181to 186 refer)

**Validity Periods**

* The period for which bids are to remain valid and binding must be indicated in the bid documents.
* The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.
* This period of validity may be extended, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder inwriting.
* The responsible official must ensure that all bidders are requested to extend the validity period of their bids where necessary to ensure that the bids remain valid throughout the appeal period or until the appeal is finalized bidders are requested to extend the validity period of their bids because of an appeal being lodged it must be made clear to bidders that this is the reason for the request.

**Contract Price Adjustment**

* For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents.
* In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.
* However, if because of any extension of time granted, the duration of a fixed price contract exceeds one year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.
* Notwithstanding clause 141, if the bid validity period is extended, then contract price adjustment may be applied.

**Contracts providing for Compensation Based on Turnover**

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

**Provisional Sums and Prime Cost Items**

* If monetary allowances more than R200 000 for provisional sums or prime cost items have been included in the bid documents, they shall be dealt with in terms of this acquisition management system.
* When monetary allowances of less than R200 000 have been included in the bid documents, contractors must be required to obtain a minimum of three written quotations for approval by the responsible agent.

**Sample**

* Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder’s name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents by no later than the closing time of the bid.
* Bids may not be included in parcels containing samples.
* If samples are not submitted as required in the bid documents, then the bid concerned may be declared invalid.
* Samples shall be supplied by a bidder at his/her own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.
* If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

**Closing of Bids**

* Bids shall close on the date and at the time stipulated in the bid notice.
* For bids for goods and services the bid closing date must be at least 14(fourteen) days after publication of the notice.
* For construction works the bid closing date must be at least 21 (twenty-one) days after publication of the notice.
* Notwithstanding the above, if the estimated contract value exceedsR10 million (VAT included), or if the contract is of a long-term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.

For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.

* For proposal calls using a two-envelope system, the bid closing date must beat least 30 (thirty) days after publication of the notice.
* The bid closing date may be extended by the Unit Manager: Supply Chain Management if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press at least one week prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the Municipal Manager, and a notice to all bidders to this effect shall be issued.
* The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 153 to 157 above, 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.

**Communication with bidders before bid closing**

* The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing in order to supply additional information or to clarify vague points in the bid documents.
* Such communication shall be in the form of a notice issued to all bidders in accordance with clause 223 and should, where possible, be issued at least one week prior to the bid closing date.
* Notwithstanding a request for acknowledgement of receipt of any notice issued in accordance with clause 161, the bidder will be deemed to have received such notice if the procedures described in clause 223 have been complied with.

**Submission of Bids**

* Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.
* Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.
* The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.
* The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
* Postal bids will not be accepted for consideration.
* No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.
* Electronic bids will not be accepted.
* The bidder shall choosean executant the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
* No person may amend or tamper with any bids or quotations after their submission.

**Late Bids**

* A bid is late if it is not placed in the relevant bid box by the closing time for sucha bid.
* A late bid shall not be admitted for consideration and where feasible shall be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

**Opening of Bids**

* At the specified closing time on the closing date the applicable bid box shall be closed.
* The bid box shall be opened in public as soon as practical after the closing time.
* Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids closed on the same day at the same time or are still open (in which case the Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box). A record of all bids placed in an incorrect box shall be kept.
* Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained. If the bid was in the correct bid box it will be read out. If the bid is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time or are still open. If the bid closes later, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box. The Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.

The official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.

* As soon as a bid or technical proposal has been opened:
* the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official’s signature,
* the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose, and
* the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record and shall ensure that the bid opening record and the bid prices, where applicable, are made available for public inspection and are published on the Municipality’s official website.

**Opening of Bids where a Two Envelope System (consisting of a technical proposal and a financial proposal) is followed**

If a two-envelope system is followed, only the technical proposal will be opened at the bid opening.

* The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official’s signature and be retained by him/her for safekeeping.
* When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses179 and 180.
* All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
* Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard (clause 222refer).
* After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.

**Invalid Bids**

Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the **responsible official** appointed by the Unit Manager: Supply Chain Management to open the bid, in the following instances:

If the bid is not sealed.

the bid is not submitted on the official Form of Bid/Offer.

if the bid is not completed in non-erasable ink.

187.4 if the Form of Bid/Offer has not been signed.

if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or

* if in a two-envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
* When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

**Bid Sum**

* A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.
* All rates, except for rates only bids, and proprietary information are confidential and shall not be disclosed.

**Bid Evaluation**

*General*

The Municipality shall not be obliged to accept the lowest or any bid.

For goods and services bids, the Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid, in the event of several items being offered.

**Bid Evaluation Committee**

* An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.
* The Bid Evaluation Committee shall be comprised of at least three Municipality officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), the Project Manager /responsible official, and at least one Supply Chain Management Practitioner of the Municipality.
* Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include an internal or external specialist/expert as necessary.
* The Municipal Manager, or his delegated authority, shall, considering section 117 of the MFMA, appoint the members of the Bid Evaluation Committee.
* Bid Evaluation Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.
* The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.
* Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, that a bidder:
* whose bid was endorsed as being invalid by the responsible official at the bid opening.
* bid does not comply with the provisions for combating abuse of this policy.
* whose bid does not comply with the general conditions applicable to bids and quotations of this Policy.
* whose bid is not in compliance with the specification.
* whose bid is not in compliance with the terms and conditions of the bid documentation.
* whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this Policy.
* who is not registered and verified on the Municipality’s supplier database?In this regard, bid documentation shall state that the responsibility for registration and verification rests solely with the bidder.
* who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding the registration of contractors?
* who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and?
* who fails to comply with any applicable Bargaining Council agreement?

**Bids shall be evaluated according to the following as applicable:**

* bid price (corrected if applicable and brought to a comparative level where necessary),
* the unit rates and prices,
* the bidder’s ability to fulfill its obligations in terms of the bid documents,
* any qualifications to the bid,
* the bid ranking obtained in respect of preferential procurement as required by this Policy,
* the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
* any other criteria specified in the bid documents.
* No bidder may be recommended for an award unless the bidder hash as demonstrated at it has the resources and skills required to fulfill its obligations in terms of the bid document.
* The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
* Additional information or clarification of bids may be called for if required but only in writing.
* Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The Municipality shall not be bound to consider alternative bids.
* If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report.
* The bidder obtaining the highest number of points should be recommended for acceptance unless there are reasonable and justifiable grounds to recommend another bidder.
* If, after bids have been brought to a comparative level, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
* If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
* All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

**Recommendation to Bid Adjudication Committee**

The Bid Evaluation Committee shall, having considered the Responsible Agent’s draft report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

**Bid Adjudication**

Bid Adjudication Committee

* The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:
* the Chief Financial Officer or a Manager designated by the Chief FinancialOfficer.
* at least one senior supply chain management practitioner of the Municipality; and
* a technical expert in the relevant field who is an official of the Municipality if theMunicipality has such an expert.
* The Municipal Manager shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.
* Neither a member of a Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

**Adjudication and Award**

* The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Municipal Manager on how to proceed with the relevant procurement.
* The Bid Adjudication Committee may make an award to a preferred bidder, subject to the Municipal Manager negotiating with the preferred bidder in terms of clause 224 of this Policy.
* The Municipal Manager may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee back to that committee for reconsideration of the recommendation.

**Approval of Bid not Recommended**

If a Bid Adjudication Committee decides to award a bid other than the one recommended Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:

* check in respect of the preferred bidder whether that bidder’s municipal rates and taxes and municipal service charges are not in arrears.
* check in respect of the preferred bidder that it has the resources and skills required to fulfil its obligations in terms of the bid document
* notify the Municipal Manager.

The Municipal Manager may:

* after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in clause217 above.
* If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.
* If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Municipal Manager must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
* The requirement of clause 217.3 does not apply if a different bid was approvedto rectify an irregularity.

**Reconsideration of Recommendations**

The Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.

**Notification of Decision and Award of Contract**

* If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of this decision.
* Every notification of decision and/or formal acceptance/award of a bid must be in writing and shall:
* be delivered by hand on the day that it was signed and dated; or
* be faxed to the address chosen by the bidder on the day that it was signed and dated, with a copy of the transmission verification reports kept for record purposes.

**Negotiations with Preferred Bidders**

The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:

* does not allow any preferred bidder a second or unfair opportunity.
* is not to the detriment of any other bidder, and
* does not lead to a higher price than the bid as submitted.
* Minutes of such negotiations must be kept for record purposes.

**Cancellation of Bids**

* If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision.
* If bids have been canceled, then all bidders must be notified in writing.
* It is not necessary to notify original bidders when calling for new bids, which will be advertised in accordance with clause 117.
* No bid may be re-advertised before the expiry of the validity period of the original bid, or any extended validity period.
* Notwithstanding clause 229, where no valid bids are received or where all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may be re-advertised forthwith.
* In the case of bids for construction-related, and where the Bid Adjudication Committee resolved that there were no responsive tenders received, then the bid may be re-advertised forthwith.

Increase in Approved Contract Sum or Contract Period

* Any increase in the approved contract sums or contract period (in respect of annual bids) that may become necessary because ofexceptional circumstances during the contract period, must be approved by the Bid Adjudication Committee.
* Where community participation has been a part of the project, the community must be advised of the proposed increase and be invited to provide written comment.
* Any unapproved increase in the contract sums or contract period because of exceptional circumstances must be explained in a report to the Bid Adjudication Committee requesting condonation for such unapproved increase.

**Annual Bids**

**General**

* It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predeterminedperiod (commonly referred to as an annual bid).
* The general acquisition procedure for annual bids shall comply with procedures contained in the acquisition management system for competitive bids.
* Bid documentation, where applicable, shall state that the acceptance of annual bids based on a schedule of rates will not necessarily guarantee the bidder any business with the Municipality.
* The practice of using annual bids to circumvent the bid process in respect of what should be planned project work is not permissible.
* Material for repairs and maintenance can be purchased on annual tender where circumstances warrant it.
* Additional items included in an annual bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.

**Evaluation and Adjudication of Annual Bids**

* The process for considering annual bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.
* After award, where different selections of items are required in terms of the same annual bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then the adjudication process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) based on the highest total adjudication points received, preapplication
* If the selected supplier, contractor, or service provider, in terms of the selection process specified in the annual bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing then the bidder with the next highest adjudication points shall be selected. If after a contract is awarded, or an order is placed in terms of an annual bid, the supplier, contractor, or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

**Formal Written Price Quotations**

**General**

Where the Municipality intends to enter into any contract is for the supply of anygoods or services, or he execution of any construction work which involvesor is likely to involve a transaction value over R10 000 and up to R200 000(VAT inclusive), then a minimum of three written quotes shall be obtained from riders who are suitably qualified and experienced, having then the necessary sources, and who are preferably registered and verified on the Municipality’s supplier database. If quotations are obtained from providers who are not listed on the Municipality’s supplier database, such providers must meet the listing criteria referred to in this Policy and must register on the database before they may be recommended for award.

Any request for a formal written quotation that is likely to be in excess ofR30 000 must be advertised for at least 7 (seven) days on the Municipality’s official website and an official notice board as applicable.

Notwithstanding clause 244, if quotations have been invited via an Electronic Bulletin Board, no additional quotes need to be obtained should the number of responses be less than three.

**Quotation Documentation**

All quotation documentation shall comply with the requirements of bid documentation trained in the acquisition management system for competition.

**Validity Periods**

The provisions of clauses 136 to 139 of this Policy shall apply to quotations.

**Quotation Prices**

* In general, all quotations should be submitted on a fixed price basis (not subject to contract price adjustment). Only in exceptional circumstances may contract price adjustment be applied.
* Notwithstanding clause 252 above, if the quotation validity period is extended, then contract price adjustment may be applied on a proven, fair, and reasonable basis.

**Issuing and Submission of Documentation**

* Documents pertaining to quotations (including the quotation itself) may be issued by either the originating office or a designated issuing office, but submissions shall be placed into the official marked and locked bid box provided for this purpose.
* Quotation documents issued by the Municipality shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.
* No quotations submitted after any stipulated closing date and time shall be considered.

**Opening of Quotations**

The provisions of clauses 174 to 180 of this Policy shall applyabout quotations.

**Consideration and Acceptance of Quotations**

All orders in respect of formal written price quotations shall be approved and released by the Municipal Manager or his delegated authority.

**Written Price Quotations**

**General**

* Where the Municipality intends to procure any goods or services, which involves a transaction value over R2 000 (VAT inclusive) and up to R10 000 (VAT inclusive), written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the supplier database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy.
* If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Head of the Supply Chain Unit who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.
* The names of the potential providers and their written quotations must be recorded.
* The practice of breaking out purchases to avoid the formal written price quotation process is not permissible.
* All orders in respect of written price quotations shall be approved and released by the Chief Financial Officer, or his delegated authority.

**Appointment of Consultants**

**General**

In the procurement of consulting services be taken of any National Treasury guidelines in this respect, or of Construction Industry Development Board Guidelines in respect of services relating to the built environment and construction works.

**Procurement Process (over R200 000)**

* Where the estimated value of the fees exceeds R200 000 (VAT inclusive), or where the duration of the appointment will exceed one year, consulting services shall be procured through a competitive bidding process.
* The practice of breaking out (parceling) consultant appointments to circumvent the competitive bidding process is not permitted.

**Procurement Process (up to R200 000)**

* Where the estimated value of the fees is less than or equal to R200 000(VAT inclusive) and the duration of the appointment is less than one year, the selection of a consultant to provide the required service shall follow a written price quotation or a formal written price quotation procedure as described in this Policy.
* Responsible agents must endeavor to ensure that there is rotation in respect of inviting suitably qualified consultants to quote.
* A price/preference points system, as described in the preferential procurement section of this Policy, must be applied to such quotations.
* Where it is in the interests of the Municipality to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed.

**Single-source Selection**

* National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of the Municipality and the project.
* Single-source selection may be appropriate only if it presents a clear advantage over the competition
* for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential
* where rapid selection is essential.

for very small appointments.

* when only one consultant is qualified or has experience of exceptional worth for the project.
* The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 (VAT inclusive) or less, such award shall be approved by the Director:Supply Chain Management.

**Deviation from the Procurement Processes**

Deviation from and ratification of minor breaches of procurement processes

(1) The accounting officer may:

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

(i) in an emergency.

(ii) if such goods or services are produced or available from a single provider only.

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile.

(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 procurement 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 for any deviations in terms of subparagraphs (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. It may also happen where the deviation is for the benefit of the state and or to prevent an emergency.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

**Combating Abuse of the Supply Chain Management Policy**

* The Municipal Manager shall be entitled to take all reasonable steps to prevent abuse of the supply chain management system and to investigate any allegations against an official, or another role player, of fraud, corruption, favoritism, unfair, irregular, or unlawful practices or failure to comply with the supply chain management system and when justified in terms of administrative law:
* shall take appropriate steps against such official or another role player; or
* shall report any alleged criminal conduct to the South African Police Service.
* may reject a recommendation for the award of a contract if their commended bidder or person submitting a quote, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract.
* may invalidate recommendations or decisions that were unlawfully or improperly made, taken, or influenced, including recommendations or decisions that were made, taken, or in any way influenced by:
* councilors in contravention of item 5 or 6 of the Code of Conduct for Councilors in schedule 1 of the Systems Act; or
* municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in schedule 2 of the Systems Act.
* may cancel a contract awarded to a person if:
* the person committed a corrupt or fraudulent act during the procurement process or the execution of the contract; or
* an official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person.
* The Municipal Manager may reject the bid or quote of any person if that person or any of its directors has:
* failed to pay municipal rates and taxes or municipal service charges and such rates, taxes,and charges as are in arrears for more than three months.
* failed, during the last five years, to perform satisfactorily on previous tract with the Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory.
* abused the supply chain management system of the Municipality or has committed any improper conduct in relation to this system.
* been convicted of fraud or corruption during the past five years.
* In terms willfully neglected, reneged on, or failed to comply with any government, municipal or other public sector contract during the past five years; or
* been listed in the Register for Tender Defaulters in terms of section29 of the Prevention and Combating of Corrupt Activities Act, 12 of2004 or has been listed on National Treasury’s database as a person prohibited from doing business with the public sector.
* The Municipal Manager shall inform the Provincial Treasury of any actions taken in terms of clauses 44 to 45 above.

**Emergency Dispensation**

* The conditions warranting Emergency dispensation should include theexistence of one or more of the following:
* the possibility of human injury or death.
* the prevalence of human suffering or deprivation of rights.
* the possibility of damage to property or suffering and death of livestock and animals.
* the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole.
* the possibility of serious damage occurring to the natural environment
* the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and
* the possibility that the security of the state could be compromised.
* The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.
* Where possible, in an emergency, three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Municipal Manager for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalized in a report to the Municipal Manager as soon as possible thereafter.

**Unsolicited Bids**

* The Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process.
* The Municipality may only consider an unsolicited bid if the following have been complied with:
* the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept
* the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, the Municipality.
* the person or entity that made the bid is the sole provider of the product or service; and
* the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager. In this regard a report must be submitted to the Municipal Manager seeking approval to take the unsolicited bid process further.
* If the Municipal Manager considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section21A of the Systems Act together with:
* reasons as to why the bid should not be open to other competitors.
* an explanation of the potential benefits for the Municipality were it to accept unsolicited bid; and
* an invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.
* Details of the unsolicited bid, together with any written comments received pursuant to clause 284.3 as well as any responses from the bidder, shall be submitted to the provincial and National Treasury for comment.
* The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and any written comments or recommendations of the provincial or National Treasury, for consideration.
* The Bid Adjudication Committee may award the bid in respect of any amount.
* Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.
* If any recommendations of the Provincial or National Treasury are rejected or not followed, the Municipal Manager shall submit to the Auditor General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made within 7(seven) days of the decision to award the unsolicited bid. No contract committing the Municipality to the bid may be entered into or signed within 30 (thirty)days of the submission.

**Ratification of Minor Breaches of the Bid Processes**

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

**Condonation of Irregular Expenditure**

The Municipal Manager may condone any irregular expenditure incurred in contravention of, or that is not in accordance with, a requirement of this Policy, provided that such condonation and the reasons therefore shall be reported to Council at the next ensuing meeting and provided further that this power may not be sub-delegated by the Municipal Manager. Such condonation shall not preclude the taking of disciplinary steps against the responsible official.

**Obligation to Report**

The reasons for all deviations shall be recorded and reported by the Municipal Manager to Council at the next Council meeting and shall be included as a note to the annual financial statements.

**LOGISTICS MANAGEMENT SYSTEM**

**Introduction**

Logistics management must provide for an effective system 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.

**Setting of Inventory Levels**

Stock items shall be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.

Open reservations shall be considered during the replenishment run.

***Placing of Orders***

* Purchase orders will be created with reference to requisitions where the supply source is contract or quotations (where sourcing had to take place).
* All purchase orders which are for imported goods, and which are subject to rate and exchange adjustments must specify that the vendor must take out a forward exchange contract to fix the Rand based price in the purchase order.
* All purchase orders will be captured on the BIQ system exclusive of VAT.
* Standing orders (also known as “framework orders”) will be used in cases where a longer-term arrangement, such as after hour services and copier contracts, are required.
* Purchase order approvals will be systems based and will involve the procurement department only.
* The assets section (for asset creation) and the insurance section (for claims) will be informed after the purchase order approval.

**Receiving and Distribution of Goods**

* Goods will be received on the Municipality’s BIQ system with reference to purchase orders.
* No over receipt of stock will be allowed. Under receipts will keep the purchase order open for the outstanding delivery quantity.
* Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centers, projects,and assets under construction.

**Stores and Warehouse Management**

The stores and warehousing function shall be decentralized in different districts and will operate under the jurisdiction of the Supply Chain Management Directorate.

The Supply Chain Directorate must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding, and control, product standardization, quality of products and a high standard of service levels.

**Expediting Orders**

The purchasing expeditor will be required to monitor and expedite outstanding purchase orders. Reminder letters can be faxed automatically to vendors based on the reminder levels (days before delivery due date) that are set in the purchase order.

**Transport Management**

The Municipality’s fleet management policy must be always adhered to.

**Vendor Performance**

There will be a System will be enablingevaluation based on the vendors ‘performanceregarding certain pre-determined criteria.

The information will be available for contract negotiations and regular feedback to the vendors.

**Contract Management**

**Application**

The contract management provisions below are applicable only to contracts for the provision of goods or services (excluding construction work contracts).

**Competency**

All contracts must be administered by an official(s) having the necessary competencies to ensure effective management of the contract.

**Maintenance and Contract Administration**

Contracts related to the procurement of goods and services will be captured in the form of a price schedule.

Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts will be used.

The use of fixed price, fixed term contracts will be promoted, and expenditure will be driven towards contracts versus once-off purchases. Consolidated (Municipality wide) procurement volumes must dive down the negotiated contract prices.

Contract price adjustments shall be processed only in accordance with contract terms and conditions. Price adjustments shall be made on the procurement contract and any current purchase orders shall be changed to reflect the new price.

**Contract Administration**

* Contract administration is the last stage of the tendering and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.
* The effectiveness of contract administration will depend on how thoroughly the earlier steps were completed. Changes can be made far more readily early in the tendering cycle than after contract management has commenced.
* Some of the key early stages, which influence the effectiveness of contract administration, include:
* Defining the output, that is, writing specifications which identify what the aims and outputs of a contract will be.
* assessing risk.
* researching the marketplace (including conducting pre-tender briefings).
* formulating appropriate terms and conditions of contract.
* identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested.
* actively creating competition, so the best possible suppliers bid for contracts; and
* evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

**Levels of Contract Administration**

* There are three levels of contract administration:
* The first operational level is for standard contracts for goods and services. Day to day contract administration should become no more than a monitoring, record keeping and price adjustment authorization role.
* The second or intermediate level is for more complex contracts for services. An example would be a contract to outsource cleaning services. This type of contract will require a more active role for the contract manager in developing the relationship between the Municipalityand the contractor.
* The third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts need more active management of the business relationships between the supplier and the users, for example to manage outputs and not the process. Sufficient resources need to be dedicated by all parties to successfully manage these contractor relationships and, where feasible, to achieve partnership. A partnership is the result of mutual commitment to a continuing co-operative relationship, rather than parties working on a competitive and adversarial basis.

**Appointing a Contract Manager**

A contract manager should be appointed by the senior official in charge of the project prior to the execution of the contract.

Where it is practical to do so, the contract manager should be involved at the earliest stage of the acquisition, which is the time of writing the specification. Contract administration arrangements should be identified and planned to include who, how, delegations, reporting requirements and relationships, and specific task responsibilities.

Departments shall be responsible for ensuring that contract manager:

prepare the contract administration plan.

monitor the performance of the contractor.

are appointed with appropriate responsibility and accountability.

are adequately trained so that they can perform and exercise the responsibility, and

act with due care and diligence and observe all accounting and legal requirements.

**Duties and Powers of Contract Manager**

The contract manager’s duties and powers shall be governed by the conditions of the contract and the general law.

The contract manager shall also be required to form opinions and make decisions, and in doing so is expected to be even-handed and prudent.

**Contract Guidelines**

A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, shall be documented.

The following is not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks, or may not be necessary in some circumstances.

**Delegating to Contract Administrator**

* Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.
* The contract administrator would usually be required to perform duties related to processes for record keeping and authorizing payment and collecting data on the contractor performance.
* The contract manager will however remain ultimately responsible for the performance of the contract.

**Contract Management Process**

The contract manager shall ensure the contractor fulfils its obligations and accepts its liabilities under the contract and must also ensure the contractors are treated fairly and honestly.

* Both parties adhering to the agreed terms will result in:
* value for money.
* timeliness.
* cost effectiveness; and
* contract performance.

**Document Retention**

The need exists to retain documents on a contract file for information and audit purposes, and to comply with the requirements of the Records Office.Proper records regarding all aspects of the contract must accordingly be maintained.

**Guidelines on Contract Administration**

* The responsibilities of a contract manager may include the following:
* establishing a contract management plan for the project.
* reviewing the contract management process (including the plan) on a regular basis
* providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise.
* monitoring the contractor’s continuing performance against contract obligations.
* providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided.
* determining if staged products should continue and providing a procurement process for additional stages which meet the principle of obtaining value for money.
* providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems.
* ensuring insurance policy(s) terms and conditions provide adequate protection for the Municipality and are maintained throughout the contract period.
* ensuring all products provided are certified as meeting the specifications before the supplier is paid.
* maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail.
* managing contract change procedures.
* resolving disputes as they arise.
* conducting post contract reviews; and
* pursuing remedies in the event of contract breach.

**DISPOSAL MANAGEMENT SYSTEM**

**General**

* Disposal management provides for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant,or obsolete assets.
* Disposal of assets shall be subject to sections 14 and 90 of the Municipal Finance Management Act and any other applicable legislation.
* Assets may be disposed of in the following ways:
* transferring the asset to another organ of state in accordance with the provisions of the Municipal Finance Management Act.
* transferring the asset to another organ of state at market related value or, when appropriate, free of charge.
* selling the asset; or
* destroying the asset.
* Moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality.
* 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.
* In the case of firearms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.
* Immovable property may be:
* sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
* let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees, or other charges relating to the letting of immovable property are annually reviewed.
* Council must ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

**Major Activities**

* The major activities associated with disposal management shall accordingly include, but not be limited to:
* establishing requirements.
* establishing market value.
* obsolescence planning.
* depreciation.
* identifying where all redundant material is kept or located; and
* identifying appropriate strategies relating to the way items are to be disposed of.

**RISK MANAGEMENT SYSTEM**

The risks pertaining to Supply Chain Management should always comply with the criteria laid down in the risk management policies of the Municipality.

***General***

* Risk Management shall provide for an effective system for the identification, consideration, and avoidance of potential risks in the Municipality’s supply chain management system.
* Managing risk must be part of the Municipality’s philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.
* Risk Management shall be an integral part of effective management practice.

**The Risk Management Process**

* The risk management process shall be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.
* Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.
* Appropriate risk management conditions should therefore be incorporated in contracts.

**Key Principles**

The key principles on managing risk in supply chain management include:

* early and systematic identification of risk on a case-by-case basis, analysis, and assessment of risks, including conflicts of interest and the development of plans for handling them.
* allocation and acceptance of responsibility to the party best placed to managerisk.
* management of risks in a pro-active manner and the provision of adequate cover for residual risks.
* assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
* acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it; and
* ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the Municipality’s operations.

**PERFORMANCE MANAGEMENT SYSTEM**

The Municipal Manager must establish and implement an internal monitoring system to determine the basis of a retrospective analysis whether the authorized Supply Chain Management processes were followed and whether the objectives of this Policy were achieved.

* Performance management shall accordingly be characterized by a monitoring process and retrospective analysis to determine whether:
* value for money has been attained.
* proper processes have been followed.
* desired objectives have been achieved.
* there is an opportunity to improve the process.
* suppliers have been assessed and what that assessment is; an
* there has been deviation from procedures and, if so, what the reasons for that deviation are.
* The performance management system shall accordingly focus on, amongst others:
* achievement of goals.
* compliance to norms and standards.
* savings generated.
* cost variances per item.
* non-compliance with contractual conditions and requirements; and
* the cost efficiency of the procurement process itself.

**CODE OF ETHICAL STANDARDS**

***General***

* In addition to this Code of Ethical Standards, the codes of conduct for municipalcouncilors and employees shall apply in the application of this Supply Chain Management Policy.
* A code of ethical standards is hereby established for officials and all role-players in the supply chain management system to promote:
* mutual trust and respect; and
* an environment where business can be conducted with integrity and in a fair and reasonable manner.
* An official or other role player involved in the implementation of the supply chain management policy:
* must treat all providers and potential providers equitably.
* may not use his or her position for private gain or to improperly benefit another person.
* may not accept any reward, gift, favor, 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.
* notwithstanding clause 357.3, must declare to the Municipal Manager details of any reward, gift, favor, hospitality, or other benefit promised, offered, or granted to that person or to any close family member, partner, or associate of that person.
* must declare to the Municipal Manager 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.
* 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.
* must be scrupulous in his or her use of property belonging to the Municipality.
* must assist the Municipal Manager in combating fraud, corruption,favoritism, and unfair and irregular practices in the supply chain management system; and
* must report to the Municipal Manager any alleged irregular conduct in the supply chain management system which that person may become aware of, including.
* any alleged fraud, corruption, favoritism, or unfair conduct.
* any alleged contravention of this policy; or
* any alleged breach of this code of ethical standards.
* Declarations in terms of clause 357.5 must be recorded in a register which theMunicipal Manager must keep for this purpose.
* The Municipality has adopted the National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management. This code of conduct is binding on all officials and other role players involved in the implementation of the supply chain management policy.
* A copy of the National Treasury code of conduct is available on the website**www.treasury.gov.za/mfma** located under “legislation”.
* A breach of the code of conduct adopted will be dealt with in accordance with schedule 2 of the Systems Act.

**Inducements, Rewards, Gifts and Favors**

* No person who is a provider or prospective provider of goods or services, ora recipient or prospective recipient of goods disposed or to be disposed of May either directly or through a representative or intermediary promise, offeror grant:
* any inducement or reward to the Municipality for or in connection with the award of a contract; or
* any reward, gift, favor, or hospitality to any official or any other role-player involved in the implementation of the supply chain management policy.
* The Municipal Manager must promptly report any alleged contravention of clause362 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.
* Clause 362 does not apply to gifts less than R350 in value or gifts from a single source in any calendar year that does not exceed R350 in value.

**Sponsorships**

The Municipal Manager 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 provider or prospective provider of goods or services; ora recipient or prospective recipient of goods disposed or to be disposed.

**Objections and Complaints**

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 21 days of the decision or action, a written objection or complaint against the decision or action.

**Resolution of Disputes, Objections, Complaints and Queries**

* The Municipal Manager shall appoint an independent and impartial person not directly involved in the supply chain to assist in the resolution of disputes between the Municipality and other persons regarding:
* any decisions or actions taken in the implementation of the supply chain management system; or
* any matter arising from a contract awarded during the supply chain management system; or
* to deal with objections, complaints, or queries regarding any such decisions or actions or any matters arising from such contract.
* The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.

The person appointed must.

* strive to resolve promptly all disputes, objections, complaints; or
* queries received; and
* submit monthly reports to the Municipal Manager on all disputes, objections, complaints, or queries received, attended to, or resolved.
* A dispute, objection, complaint, or query may be referred to the relevant provincial treasury if.
* the dispute, objection, complaint, or query is not resolved within 60days; orno response is forthcoming within 60 days.
* 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.
* The provisions above must not be read as affecting a person’s rights to approach a court at any time.

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

* Before making an award to a person the accounting officer must first check with SARS whether that person’s tax matters are in order.
* If SARS does not respond within 7 days such person’s tax matters may for purposes of subparagraph (2) be presumed to be in order

**Preferential Procurement System**

Preferential Procurement Policy Regulations Identification of preference point system, designated sector, prequalification criteria, objective criteria, and subcontracting Ditsobotla Local Municipality must,

In terms of Government Gazette no 47452 dated 4 November 2022, The Minister of Finance has in terms of section 5, read with sections 2 (1) (b) (i) and (ii) and 2 (1) (c), of the Preferential Policy Framework Act, 2000 (Act No. 5 of 2000) and with effect from 16 January 2023, made the regulations set out in the schedule.

**Provisions of the Amended Regulation**

**1.1.1. The following are the key aspects that scrapped in the new regulation on the preferential procurement 2022:**

1.1.1.1. Scrapping of Black Economic Empowerment and

1.1.1.2. Local content production.

1.1.1.3. Subcontracting of 30% of contracts above R30 Million

**1.1.2. The following are the new aspects that are included in the SCM Policy:**

1.1.2.1. The Municipality, in the tender documents must, stipulate—

a. the applicable preference point system as envisaged in regulations 4, 5, 6, or 7.

b. 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.

1.1.2.2. If it is unclear whether the 80/20 or 90/10 preference point system applies, the Municipality must, in the tender documents, stipulate in the case of—

a. 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

b. 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.

**Specific Goal:**

The Municipality in terms of the preference point system is required to use the specific goal in terms of allocating the point which was not applicable in the previous policy. Specific goals refer to specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination based on race, gender, and disability including the implementation of programs of the Reconstruction and Development Program as published in Government Gazette No. 16085 dated 23 November 1994.

The 80/20 preference point system for acquisition/ income-generating contracts of goods or services with Rand value equal to or below R50 million will be applied and a 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.

* A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender as outlined in the table.

|  |  |  |
| --- | --- | --- |
| **Preference Points for Specific Goal:** | **Means of Verification:** | **Number of points:** |
| Owned by black people. | Identity Document | 4 |
| Owned by black people who are women. | Identity Document | 4 |
| Owned by black people who are youth. | Identity Document | 4 |
| Owned by black people with disabilities. | Medical Report Indicating Disability | 4 |
| Owned by black people living in rural areas | Letter from Traditional Authority | 4 |

The 90/10 preference point system for acquisition/ income-generating contracts of goods or services with Rand value above R50 million and the following formula must be used to calculate the points out of 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes.

* A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender as outlined in the table.

|  |  |  |
| --- | --- | --- |
| **Preference Points for Specific Goal:** | **Means of Verification:** | **Number of points:** |
| Owned by black people | Identity Document | 2 |
| Owned by black people who are women | Identity Document | 2 |
| Owned by black people who are youth | Identity Document | 2 |
| Owned by black people with disabilities | Medical Report Indicating Disability | 2 |
| Owned by black people living in rural or areas | Letter from Traditional Authority | 2 |

# PREFERENCE POINT SYSTEM

The Preferential Procurement Regulations (Act No. 5 of 2000) provide that an organ of state must determine its preferential procurement policy and implement it within the broader framework of the Act. The Act states that the framework may include:

1. Implementing the program of the Reconstruction and Development Program as published in Government Gazette No. 16085 dated 23 November 1994.
2. Any specific goals for which points may be awarded shall be clearly specified in the tender document and must be measurable, quantifiable, and monitored for compliance.
3. Ditsobotla Local Municipality shall use the formula to calculate the points for price as prescribed by sections 5(1) and 6(1) of the Preferential Procurement Regulations, 2011. Preference points to a maximum provided by the Regulations will be awarded to a bidder with specific goals as provided by paragraph 2.5 of this policy.

# Calculation of Preference Points

**Procurement of goods and services**

Ditsobotla Local Municipality shall use the 80/20 preference point system in respect of bids/quotations above R30 000 up to R50 000 000 with a maximum of 20 points allocated for specific goals and the 90/10 system in respect of projects above R50 000 000 with a maximum of 10 points allocated for specific goals.

If there is uncertainty regarding the estimated price and which preference point system will be applicable, then the tender documents would state that either the 80/20 or the 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

* + - 1. **For 80/20 preference point system**

Points must be awarded to a tenderer for attaining the BBBEE status level contributor.

|  |  |
| --- | --- |
| BBBEE level contributor | No of points |
| **1** | **20** |
| **2** | **18** |
| **3** | **14** |
| **4** | **12** |
| **5** | **8** |
| **6** | **6** |
| **7** | **4** |
| **8** | **2** |
| **Non-compliant** | **0** |

# The formula

Ps = 80x {1- (Pt- Pmin) /Pmin} + BEE Score points 100% will be: Ps = 80x1 + BEE Score points = 100 Where

Ps = Points scored for bid under evaluation Pt = Rand value of bid under consideration Pmin = Rand value of lowest acceptable bid.

* + - 1. **For 90/10 preference point system**

|  |  |
| --- | --- |
| B-BBEE status level contributor |  |
| 1 | 10 |
| 2 | 9 |
| 3 | 6 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |
| Non-compliant | 0 |

**The formula**

Ps = 90x {1- (Pt- Pmin) /Pmin} +BBBEE

100% will be: Ps = 90 x1 + BBBEE Score card = 100 Where

Ps = Points scored for bid under evaluation Pt = Rand value of bid under consideration Pmin = Rand value of lowest acceptable bid

# For the sale and letting of assets and services

For all bid and quotations with an estimated or averaged value between R10 000 (ten thousand rand) and R 1 000 000(one million rand) including VAT, preference points system of 80/20 shall apply and for all quotation and bids above R1 000 000 the 90/10 preference point system shall apply.

# Price scoring 80/20

Ps = 80x (1+ (Pt-Ph)/Ph)

# Where?

# Ps = Points scored for comparative price of tender or offer bid under consideration

Pt = comparative price of bid or tender or offer bid under consideration Pm = comparative price of lowest acceptable tender or offer.

# Price scoring 90/10

Ps = 90 x (1+ (Pt-Ph)/Ph)

# Where:

Ps = Points scored for the price of the bid under consideration Pt = Rand value of bid under consideration

Ph = Rand value of the highest acceptable bid

**CONTRACT MANAGEMENT**

**Management of expansion or variation of orders against the original contract**

* It is recognized that, in exceptional cases, an accounting officer of a municipality or municipal entity may deem it necessary to expand or vary orders against the original contract.
* The expansion or variation of orders against the original contract has, however, led to wide scale abuse of the current Supply Chain Management system.
* To mitigate such practices, accounting officers of municipalities and municipal entities are advised that contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the abovementioned thresholds must be reported to council or the board of directors.
* Any expansion or variation more than these thresholds must be dealt with in terms of the provisions of section 116(3) of the MFMA which will be regarded as an amendment to the contract.
* The contents of the above paragraph are not applicable to transversal term contracts, facilitated by the relevant treasuries on behalf of municipalities and municipal entities and, specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.

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