



SUPPLY CHAIN MANAGEMENT POLICY

DOCUMENT REF:	SCM.2016/2017
VERSION NO:	001.2016/2017
PREPARED:	J MABOTE
DATE COMPILED:	MAY 2016
REVIEWED BY:	MOLOKO K.E
DATE REVIEWED:	MAY 2016
APPROVED BY:	COUNCIL
DATE APPROVED:	30 May 2016
EFFECTIVE DATE:	01 JULY 2016



Council resolves in terms of Sec 111 of the Local Government Municipal Finance Management Act (Act No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of Molemole Local Municipality.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	2 of 88

TABLE OF CONTENTS

1.0 DEFINITIONS	6
2.0 POLICY STATEMENT	12
2.1 Introduction	12
2.2 Goal	12
2.3 Objectives	13
2.4 Core Principles	14
2.5 Oversight	15
2.6 Compliance with Ethical Standards	15
3.0 GENERAL PROVISIONS AND APPLICATION.....	16
3.1 Commencement and Review	16
3.2 Application of Policy	16
3.3 Roles and Responsibilities	17
3.3.1 Role of Council	18
3.3.2 Role of the Accounting Officer	18
3.3.3 Role of Executive Managers, Managers and/or Deputy Managers	18
3.3.4 Role of the Chief Finance Officer (CFO)	19
3.3.5 Role of Internal Audit	20
3.4 Institutional Arrangements	21
3.4.1 Supply Chain Management Unit	21
3.5 Delegations	21
3.5.1 Sub-delegation.....	22
4.0 FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT.....	25
4.1 Supply Chain Management System	25
4.1.1 Format of supply chain management system.....	25
4.2 Demand Management	25
4.3 Acquisition management	27
4.3.1 Range of procurement processes	28
4.3.2 General preconditions for consideration of written quotations or	29
bids	29
4.3.3 List of accredited prospective providers	31
4.3.4 Petty cash purchases	33
4.3.5 Quotations	34
4.3.6 Competitive bids.....	35
4.3.7 Process for competitive bidding.....	36
4.3.8 Bid documentation for competitive bids.....	36
4.3.9 Invitation for competitive bids.....	38
4.3.10 Issuing and submission of bid documents	39
4.3.11 Closing of Bids.....	40
4.3.12 Late Bids.....	40
4.3.13 Opening Of Tenders	40
4.3.14 Invalid and Non – responsive bids	41

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

3 of 88

[Type text]



4.3.15 Negotiations with preferred bidders42

4.3.16 Two-stage bidding process43

4.3.17 Closed tender bidding43

4.3.18 Public / Private Partnership (PPP)44

4.3.19 Unsolicited bids44

4.3.20 Committee system for competitive bids.....46

4.3.21 Bid specification committees.....46

4.3.22 Bid evaluation committee.....48

4.3.23 Bid adjudication committee51

4.3.24 Approval of Bid not Recommended53

4.3.25 Procurement of banking services55

4.3.26 Procurement of IT related goods or services55

4.3.27 Procurement of goods and services under contracts secured by
other organs of state56

4.3.27.1 Procurement of goods of a special safety arrangement 54

4.3.28 Proudly SA Campaign/ Local Production Content.....57

4.3.29 Procurement of services by tertiary institution59

4.3.30 Cancellation and re-invitation of tender.....60

4.3.31 Appointment of consultants61

**4.4 Deviation from, and ratification of minor breaches of, procurement
processes.....62**

4.5 Avoiding abuse of supply chain management system63

5.0 LOGISTICS MANAGEMENT65

6.0 DISPOSAL MANAGEMENT67

7.0 RISK MANAGEMENT69

7.1 Risk Management.....69

7.2 Bid Security.....69

7.3 Professional Registration and Indemnity Insurance69

7.4 Deed of Cession.....70

7.5 Insurance.....70

7.6 Sureties71

7.7 Retention71

7.8 Penalties72

8.0 PERFORMANCE MANAGEMENT74

9.0 OTHER MATTERS.....75

**9.1 Prohibition on awards to persons whose tax matters are not in order
.....75**

9.2 Prohibition on awards to persons in the service of the state75

**9.3 Awards to close family members of persons in the service of the state
.....76**

9.4 Ethical standards76

**9.5 Inducements, rewards, gifts and favours to Municipal officials and
other role players78**

DOCUMENT REFERENCE	OWNER	Molemole Municipality	
VERSION NO	PAGE NUMBER	4 of 88	

[Type text]



9.6 Sponsorships 79

9.7 Objections and complaints 79

9.8 Resolution of disputes, objections, complaints and queries 79

9.9 Contracts providing for compensation based on turnover 80

9.10 Amendment of the supply chain management policy 81

10.0 PREFERENCE POINT SYSTEM 82

10.1 Calculation of Preference Points 82

10.1.1 Procurement of goods and services 82

10.1.2 For the sale and letting of assets and services 84

 The formula 85

 The formula 85

11.0 CONTRACT MANAGEMENT 87

11.2 Management of expansion or variation of orders against the original contract 87

12.0 COMMENCEMENT 88

DOCUMENT REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

5 of 88

[Type text]

1.0 DEFINITIONS

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

–

Acceptable Bid”- means any bid or quotation which, in all respects, complies with the specification and conditions as set out in the procurement document, upon which a final award will be made in writing;

Accounting Officer” means a municipal official appointed in terms of section 60 of Municipal Finance Management Act, 2003 or the person who has been appointed to perform the functions in the absence of the accounting officer or during a vacancy;

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”.

BBBEE Act” – refers to the Broad Based Black Economic Empowerment (Act 53 of 2003) and Codes of Good Practice pertaining thereto;

Closing time” - means the day and time as specified in the bid documents for the purpose of receipts by Molemole Local Municipality.

Bid” – means a written offer in a prescribed or stipulated form in response and compliance to the invitation by the Molemole Local Municipality’s requirements and further in compliance with the specifications and conditions of the bid as set out in the procurement document as part of competitive bidding process.

Bidder” means any legal person/entity submitting a bid. This refers to service providers invited by the municipality for the required service.

Bid Committees” – refers to the Specification Committee, Evaluation Committee and Adjudication Committee. The Adjudication Committee is responsible for

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	6 of 88

adjudicating the award of bids on the basis of the recommendation or recommendations as submitted by the Evaluation Committee.

“Competitive bidding” – means competitive bidding process as envisaged by the SCM Regulations; or competitive bidding process.

“categories of projects” in relation to this policy means projects within the following price range:

- (i) Micro : 150 001 – 300 000
- (ii) Small : 300 001 – 750 000
- (iii) Medium : 750 001 – 1 500 000
- (iv) Large A : 1 500 001 – 2 500 000
- (v) Large B : 2 500 001 >>>>>>

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

“consultant” means a professional service provider which is a partnership, sole trader or legal entity which provides on a fiduciary basis, labour and knowledge-based expertise which is applied with reasonable skill, care and diligence, and adheres to statutory labour practices;

“council” means the Municipal Council of Molemole Local Municipality, its legal successor in title and its delegates;

“delegation” means the issuing of a written authorization by a delegating authority to a delegated body to act in his stead, and in relation to a sub-delegation of a power, means that delegated body;

“disability” means a permanent impairment of a physical, intellectual or sensory function which results in a restricted, or lack of ability to perform an activity in the manner or range considered to be normal;

“equity ownership” means the percentage of an enterprise or business owned by individuals or in respect of a private company, the percentage of a company’s shares that are owned by the individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

7 of 88

[Type text]

or business, commensurate with their degree of ownership at the closing date of the bid; as envisaged by the Supply Chain Management Policy Framework;

“goods” means those raw material or commodities which are available for general sale;

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

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

“HDI” means a Historically Disadvantaged Individual that is a South African citizen:

- (i) who, due to the apartheid policy that had been in place, had no franchise in National elections prior to the introduction of the Constitution of the Republic of South Africa, 1993 or the Constitution of the Republic of South Africa, 1993; and/or
- (ii) who is a female; and/or
- (iii) who has a disability

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

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

“Consultant” means a natural or juristic person or partnership who or which, as an independent contractor, provides any of the following services on an ad hoc basis to the Molemole Local Municipality against remuneration:

- a) Expert advice;
- b) Drafting of proposals for the execution of specific tasks; and/or
- c) Execution of specific tasks, which are of a technical or intellectual nature;

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

“Contract” means the agreement that results from the acceptance of a quotation or bid by the Municipality or agreement which is concluded when Molemole Local Municipality accepts in writing a bid or a quote submitted by a service provider;

“list of accredited prospective providers” means the list of accredited prospective providers which the municipality must keep in terms of paragraph 3.2.5 of this policy;

“municipality” means Molemole Local Municipality, and when referred to as-

- (i) an entity, means a municipality as described in section 2 of the Municipal System’s Act; and
- (ii) a geographic area, means the municipal area determined in terms of Local Government: Municipal Demarcation Act, 1998;

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

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);

- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Preferential Procurement Regulations “means the regulations to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) issued by the Minister of Finance on 10 August 2001

“procurement” means a process of preparing, negotiating and concluding a contract, whether verbally or in writing, which involve the acquiring of goods, services, engineering and construction works or any combination thereof, or the acquiring of capital assets or any rights in respect of the above, by means of a purchase, lease or donation;

“Formal written price quotation” means a written offer made on the prescribed forms by a supplier or service provider in response to a request from the Municipality and in compliance with the prescribed thresholds in this policy;

“Informal price quotation,” means a written offer made by a person, business or enterprise in response to a request from the Municipality;

“quotation” means a written offer which not submitted in the form of a bid document prescribed by the Municipality, but is none-the less subject to a specification, conditions of purchase and any schedule and annexure;

“responsive bid” means a bid which conforms to all the terms, conditions and specifications contained in the bid documentation without material deviation or qualification;

“services” means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including input, as necessary, of knowledge based expertise;

“service provider” means a current or potential supplier, manufacturer, contractor, vendor, agent or consultant;

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

10 of 88

[Type text]

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

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

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

“youth” means any person who is thirty-five years old and below.

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

NOTES:

- 1. Reference, in this document, to one gender shall apply equally to the other gender unless the contrary is clearly and explicitly indicated.**
- 2. The term “competitive bid” has replaced the term “tender” in all the applicable legislation. The term “tender,” which refers to both procurement and asset disposal, has been in use for many years and will remain in popular usage for some time to come. The terms “competitive bid” and “tender” will thus be taken to have the same meaning in all documentation used by Molemole Local Municipality pertaining to supply chain management.**

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

11 of 88

Molemole Municipality

[Type text]

2.0 POLICY STATEMENT

2.1 Introduction

The Constitution of the Republic of South Africa (RSA), 1996 in Section 217 stipulates that an organ of state in national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

The Municipal Finance Management Act No. 56 of 2003, Section 111 requires each municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.

In addition, the Preferential Procurement Policy Framework Act No.5 of 2000 requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement section of this Policy.

2.2 Goal

The goal of this Policy is to provide a framework to ensure a sound and accountable system of supply chain management within the **Molemole Local Municipality**, whilst promoting the following five pillars of procurement:

- Value for money
- Open and effective competition
- Ethics and fair dealing

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

12 of 88

[Type text]

- Accounting and reporting
- Equity

Molemole Local Municipality intends to further use the supply chain management policy as a tool to achieve the following;

- (1) stimulate economic growth;
- (2) stimulate socio economic development;
- (3) enhance quality services;
- (4) empower local communities;
- (5) create opportunities for local SMME's;
- (6) eliminate and counter any form of corruption; and

2.3 Objectives

The objectives of this Policy are:

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

to comply with all applicable provisions of the Municipal Finance Management Act including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA;

to ensure consistency with all other applicable legislation and any regulations pertaining thereto, including:

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	13 of 88

- the Preferential Procurement Policy Framework Act;
- the Broad-Based Black Economic Empowerment Act;
- the Construction Industry Development Board Act;
- the Local Government: Municipal Systems Act; and
- the Promotion of Administrative Justice Act

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

2.4 Core Principles

In order to achieve value for money, MOLEMOLE LOCAL MUNICIPALITY will base procurement outcomes around core principles of government procurement.

As a result MOLEMOLE LOCAL MUNICIPALITY is committed to:

- a) Ensuring that transactions achieve the best value for money outcome for the Municipality;
- b) Providing suppliers with the opportunity to compete for business in an open and transparent manner;
- c) Encouraging effective competition through procurement methods as directed by this policy;
- d) Promoting professional, ethical and fair dealing considerations which require the Municipality to conduct its procurement so as to ensure that:
 - I. Suppliers are dealt with in a fair even- handed manner;
 - II. Conflict of interest at all levels are identified and managed;

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	14 of 88

2.5 Oversight

The Municipal Finance Management Act No. 56 of 2003, Section 117 prohibits a Municipal Councillor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipal Councillor attend any such meeting as an observer.

Council, however, has an oversight role to ensure that the Municipality implements the Municipal Supply Chain Management policy and other relevant legislations.

For the purposes of such oversight, the Municipality Manager shall, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this Policy to the Mayor and, within 30 days of the end of each financial year, shall submit a similar such report to Council.

In addition, if any serious problem arises in relation to the implementation of this Policy, the Municipality Manager shall immediately report to Council accordingly.

All such reports shall be made public in accordance with section 21(1)(a) of the Systems Act.

2.6 Compliance with Ethical Standards

In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	15 of 88

Municipality Manager and all representatives of the Molemole Local Municipality involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.

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.

3.0 GENERAL PROVISIONS AND APPLICATION

3.1 Commencement and Review

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

The Municipality Manager must annually review the implementation of this Policy and if she/he considers it necessary, submit proposals for the amendment of the Policy to the Council for approval.

3.2 Application of Policy

This Policy applies to:

- the procuring of goods or services, including construction works and consultant services;
- the disposal by the Municipality of assets (movable/immovable) no longer needed;
- the selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where chapter 8 of the Systems Act applies; or
- the selection of external mechanisms referred to in section 80 (1) (b) of the Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

16 of 88

Molemole Municipality

[Type text]

Act.

Unless specifically stated otherwise, this Policy does not apply if the Municipality contracts with another organ of state for:

- the provision of goods or services to the Municipality;
- the provision of a municipal service; or
- the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.

In respect to the above, the Bid Adjudication Committee should consider a request to contract services and or goods from another organ of state and recommend accordingly to the Accounting Officer.

The Policy provides for the following supply chain management systems:

- demand management system;
- acquisition management system;
- logistics management system;
- disposal management system;
- risk management system;
- performance management system.
- Preferential Procurement system

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

3.3 Roles and Responsibilities

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	17 of 88

3.3.1 Role of Council

The Council has an oversight role as far as the supply chain management is concerned, to ensure that the Municipal Manager as the accounting officer executes the Supply Chain Management Policy within the ambit of the applicable legislation.

3.3.2 Role of the Accounting Officer

The Accounting Officer will

- a) On a monthly basis report to the Mayor, and at least on a quarterly basis to the Council on the implementation of the SCM policy.
- b) Ensure strict adherence to the guidelines provided in the SCM policy;
- c) Implement of the SCM policy;
- d) Annually review the targets and the SCM policy;
- e) Approve the inclusion of a service provider in the Municipality's database of service providers;
- f) Appoints the members of the bid committees;
- g) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to Council.

3.3.3 Role of Directors and/or Managers

Each Director shall be responsible for:

- a) Exercising the powers, performing the functions and discharging the duties conferred or assigned to him/her;
- b) Implementing the SCM policy and any procedural or prescripts issued in terms of the policy within his/her area of responsibility;

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	18 of 88

- c) Ensuring compliance with the SCM policy and any procedural or prescripts issued in terms of the policy within his/her area of responsibility;
- d) Developing draft specifications for the procurement by his /her department,
- e) Asset utilisation management in his/her area of responsibility;
- f) Properly planning for and as far as possible, accurately estimating the costs of the provision of services, works or goods for which offers are to be solicited;
- g) Selecting the preference point system to be utilized in the evaluation of offers;
- h) Achieving any objectives and targets set with regard to procurements and disposals.

3.3.4 Role of the Chief Finance Officer (CFO)

- a) Custodian of the SCM policy;
- b) Conducts procurement audits of the entire supply chain management to identify successes and failures for incorporation into a **“lesson learnt” database**;
- c) Overall management of the quotation and competitive bidding process from solicitation to processing of invoice payment;
- d) Promotes corporate approach by encouraging standardization of items purchased within the Municipality to realize economies of scale;
- e) Provides supplier interface on supplier information;
- f) Ensures that the procurement and disposal process followed adheres to preference targets without compromising price, quality, service delivery and developmental objectives;

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

19 of 88

[Type text]

- g) Ensures that all employees involved in the supply chain management process receive the necessary training to support implementation of the SCM policy;
- h) Responsible for the verification of the application of service providers for possible inclusion in the database,
- i) Submits monthly reports to the Finance Portfolio Committee regarding progress and any matters of importance relating to the SCM policy.

3.3.5 Role of Internal Audit

- a) Internal audit units must compile risk based audit plans, review internal control measures, and ensure that supply chain management, is sufficiently and adequately covered in the annual coverage plan.
- b) Internal auditors must be alert to fraud risks and design audit procedures and indicators that would reasonably assist in preventing and detecting potential or actual fraud and corruption.
- c) During competitive bidding and adjudication processes or before the award of a contract, the accounting officer may, at his or her discretion, specifically request the internal audit function to carry out audit procedures and provide an opinion on compliance of the bidding process with the Municipal Supply Chain Management Regulations.
- d) Where bids involve internal audit service, the audit of the bidding process may be outsourced to an independent external service provider or internal audit function of another organ of state, subject to the oversight of the audit committee.
- e) The accounting officer may, at his or her discretion, decide to have a specific contract audited by external service providers prior to the award of the contract.

3.4 Institutional Arrangements

3.4.1 Supply Chain Management Unit

- a) The municipality must establish a supply chain management unit within finance department to implement the supply chain management policy.
- b) The supply chain management unit must, where possible operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the MFMA.
- c) The Municipal Manager must ensure that all persons involved in the implementation of this Policy meets 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 in accordance with any Treasury guidelines on supply chain management training.

3.5 Delegations

The council of a municipality must delegate such additional powers and duties to the Accounting Officer so as to enable the accounting officer:

- To discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - o Chapter 8 of the MFMA and
 - o The supply chain management policy of the municipality
- To maximise administrative and operational efficiency in the implementation of the supply chain management policy

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

21 of 88

[Type text]

- To enforce responsible cost effective measures for the prevention of fraud corruption favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and
- To comply with his or her responsibilities in terms of section 115 of the MFMA and other applicable legislation.

No municipal council or accounting officer may delegate or sub-delegate any supply chain management powers or duties –

- o To a person who is not an official of the municipality
- o To a committee which is not exclusively composed of officials of the municipality

This policy may not be read as permitting an official to whom the power to make final award has been delegated, to make a final award in a competitive bidding process otherwise than through the committee systems provided for in the SCM Regulation section 26

3.5.1 Sub-delegation

1. The accounting officer may in terms of section 79 or 106 of the MFMA sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of the above delegations.

2. The power to make a final award –

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	22 of 88

- (a) above R10 million (VAT included) may not be sub delegated by the accounting officer;
- (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
- (c) not exceeding 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.

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

- (a) the amount of the award;
- (b) the name of the person to whom the award was made; and
- (c) the reason why the award was made to that person.

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

- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;

- (ii) a senior manager; or
- (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
- (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

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

This policy 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 SCM regulation.

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

To the extent that it may be necessary, Council authorises the Municipal Manager to delegate or sub-delegate to a staff member any power conferred on the Municipal Manager in terms of the MFMA and the Supply Chain Management Regulations relating to supply chain management.

4.0 FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

4.1 Supply Chain Management System

4.1.1 Format of supply chain management system

This Policy provides for systems of –

- Demand management;
- Acquisition management;
- **Preferential Procurement**
- Logistics management;
- Disposal management;
- Risk management;
- Performance management; and
- Other matters
- Preference points system

4.2 Demand Management

The accounting officer must establish and implement an effective demand management system in order to ensure that the resources required by the municipality supports its operational commitments and its strategic goals as outlined in the Integrated Development Plan of Molemole Local Municipality.

Each Director must during the preparation of his/her departmental estimates for the budget year:-

- a) Determine which project and/or programs it must perform;

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	25 of 88

- b) Determine the goods and services it must provide in the performance of those functions and compile a procurement plan.
- c) Determine the quantity and specifications for goods and services required;
- d) Embark on expenditure analysis of goods and services required;
- e) Embark on market/industry analysis;
- f) Before the procurement of assets, conduct a condition assessment of the assets managed by his/her department and determine its financial needs during the budget year for:
 - (i) Maintaining existing assets;
 - (ii) Repairing existing assets;
 - (iii) Refurbishing or renovating existing assets;
 - (iv) Replacing existing assets; and
 - (v) Acquiring new assets.

The SCM Unit shall after consultation with Departmental Directors, compile a consolidated procurement plan for all capital and operational projects in respect of each financial year;

During consultations, all reasonable efforts shall be made to determine:

- a) The desired date and time at which a specific contract must be awarded;
- b) The desired date and time when specific goods must be delivered, services rendered or work executed;
- c) The place where any of goods to be supplied shall be delivered;
- d) The quantity and quality of any goods to be supplied; and
- e) Any other relevant matter.

4.3 Acquisition management

The accounting officer must implement the system of acquisition management set out below in order to ensure –

- (a) that goods and services are procured by the municipality in accordance with authorised processes only;
- (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the MFMA;
- (c) that the threshold values for the different procurement processes are complied with;
- (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
- (e) that any Treasury guidelines on acquisition management are properly taken into account.

This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the MFMA, including –

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

When procuring goods or services contemplated in section 110(2) of the

MFMA, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including-

- (a) the kind of goods or services; and

(b) the name of the supplier.

4.3.1 Range of procurement processes

- (1) Goods and services may only be procured by way of –
 - (a) Petty cash purchases, up to a maximum transaction value of R500.00 (VAT included); and total amount of R10 000.00 (VAT included) per month.
 - (b) Written priced quotations for procurements of a transaction value over R 500.00 up to R30 000 (VAT included);
 - (c) Formal written price quotations for procurements of a transaction value over R30 000 up to R200 000 (VAT included); and
 - (d) That all procurement in excess of R30 000 (Vat included) to R 200 000 that are to be procured by means of formal written price quotation must be advertised for at least seven days either on the local newspapers, website and or official notice board of the municipality.
 - (d) a competitive bidding process for–
 - (i) Procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.
- (2) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.
- (3) The Accounting Officer, may lower, but not increase, the different threshold values specified above, or direct that:

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	28 of 88

- a) Written quotations be obtained for any specific procurement of a transaction value lower than R2000
 - b) Formal written quotations be obtained for a specific procurement of a transaction value lower than R10 000;
 - c) A competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (4) The Accounting Officer may dispense with the prescribed processes and authorise the acquisition of any goods or services through any convenient process:
- a) In the event of an emergency;
 - b) If the required goods or service are available from a single provider only;
 - c) In any exceptional case where it is impractical to follow the prescribed procedure.
- (5) The Manager seeking the approval of the Accounting Officer in terms of paragraph 3.2.3(4) shall submit a written report detailing the reasons why he/she should authorise a departure from the prescribed procedure.
- (6) The Accounting Officer shall record his/her decision with regard to an application in terms of paragraph 3.2.3(5) in writing and shall, if he/she grants the application, stipulate the alternative procurement process to be followed. The decision of the Accounting Officer in terms of paragraph 3.2.3(6) shall be final.

4.3.2 General preconditions for consideration of written quotations or bids

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

- (a) has furnished that provider's –

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	29 of 88

- (i) Full name;
 - (ii) Identification number or company or other registration number;
 - (iii) Tax reference number and VAT registration number, where applicable;
 - (iv) Valid BBBEE verification certificate
- (b) It is a specific requisite that the provider must submit a valid Tax Clearance Certificate issued by the SA Revenue Services as part of the quotation. The municipality will not conduct business with service providers whose tax matters are not in order.
- (c) It is a further requirement that companies / entities competing for bids in the MOLEMOLE LOCAL MUNICIPALITY must be in good standing with MOLEMOLE LOCAL MUNICIPALITY council or any other municipality council with regard to levy and (or) rates and taxes
- (d) has declared–
- (i) Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months; and
- (e) In case of a joint venture, no bid document will be considered without a valid Joint Venture Agreement attached to the document at the date of opening where applicable.

4.3.3 List of accredited prospective providers

- (1) The accounting officer must –
 - (a) keep a list of accredited prospective providers of goods and services that incorporates EMEs (exempted Micro enterprise), emphasis being on the BBBEE status level that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
 - (b) 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;
 - (c) specify the listing criteria for accredited prospective providers, and 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;
 - (d) the list must be updated at least quarterly to include any additional prospective service provider and any new commodities or type of service;
 - (e) the list must be compiled per commodity and per type of service.

Procedure for establishing and maintaining the database

- (1) The Accounting Officer shall through newspapers commonly circulating in the Municipality, on the website of the Municipality and any other approved

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

31 of 88

Molemole Municipality

[Type text]

- manner invite prospective service providers of goods or services to apply for evaluation and listing as accredited prospective service providers.
- (2) The Accounting Officer shall make appropriate arrangements to ensure as far as possible that:
- a) The database is updated at least quarterly;
 - b) Applications for registration can be submitted electronically.

3.2.5.2 Evaluation of applications

- 1) The Accounting Officer shall, after consultation with the Managers of other Departments:
 - a) Evaluate an applicant's capacity and ability to supply goods and services and to complete work, in order to ensure that all contracts or orders awarded are within the capabilities of the enterprise; and
 - b) Evaluate the amount of assistance that may be required by each applicant.
- 2) Evaluation criteria shall be based on the following:
 - a) Experience and expertise;
 - b) Contracts awarded as a main contractor or a sub-contractor;
 - c) Contracts completed on time and within budget;
 - d) Value of contracts completed in the past year;
 - e) Value of and duration of current contracts;
 - f) Qualifications of owner(s), directors, members, trustees and staff;
- 3) The Accounting Officer shall as soon as possible after closing date and time of invitation in terms of paragraph 3.2.5.1(1) evaluate and assess all applications submitted.
- 4) As soon as the evaluation process is completed, the names of the prospective service providers who are considered to be suitable for the

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	32 of 88

specific purpose to undertake a contract, shall be included in the appropriate list within the database.

- 5) The service provider shall after inclusion in the database be supplied with a Vendor numbers
- 6) The list shall be compiled per type of service and must be circulated to all departments with operating guidelines.

4.3.4 Petty cash purchases

The Accounting Officer must stipulate the conditions for the procurement of goods and services by means of petty cash purchases. The petty cash should be kept on an imprest system with a float of R10,000.00 per month (R7,500.00 H.O and R2,500.00 sub office) and the account should be cleared monthly to the float with the following expenditure limits:- ..

- (a) authorising procurement of goods to a maximum of R7,500.00 per month at head office and R 2 500.00 per month at the sub office may be made by means of petty cash purchases;
- (b) the maximum number of petty cash purchases or the maximum amounts per month for the responsible manager shall be R7 500 at head office and R2,500.00 at the sub office of the Municipality;
- (c) Excluding any types of expenditure from petty cash purchases, where this is considered necessary; and
- (d) Monthly reconciliation reports from each manager to the chief financial officer, including –
 - The total amount of petty cash purchases for that month; and
 - Receipts and appropriate documents for each purchase

4.3.5 Quotations

4.3.5.1 Written quotations

- a) Quotations must be obtained from at least three different providers from providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 3.2.7 of this Policy;
- b) if it is not possible to obtain at least three quotations, the reasons must be recorded and accompany the requisition to the accounting officer or another official designated by the accounting officer;
- c) When using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;

4.3.5.2 Formal written price quotations

The conditions for the procurement of goods or services above R500.00, are as follows:

- a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality.
- b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 3.2.5.2(2) of this Policy;

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	34 of 88

- c) when using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- d) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Accounting Officer or an official designated by the chief financial officer,
- e) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must be advertised for at least seven days either in local newspapers, website and or an official notice board of the municipality;
- f) quotations must be awarded based on compliance to specification, conditions of contract, ability and capability to deliver the goods, functionality for services and price and must be subjected to the preference point system;
- g) acceptable offers, which are subject to the preference points system (PPR Regulations and associated regulations), must be awarded to the bidder who scored the highest points;
- h) the Accounting Officer must record the names of the potential providers and their written quotations.
- i) The SCM unit must take reasonable steps to ensure that the procurement of goods and services through written quotations is not abused;
- j) The SCM unit must on a monthly basis report to the Accounting Officer of all written quotations accepted by an official in terms of the sub-delegation.

4.3.6 Competitive bids

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	35 of 88

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

4.3.7 Process for competitive bidding

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

- (a) Compilation of bidding documentation;
- (b) Public invitation of bids;
- (c) Site meetings or briefing sessions;
- (d) Handling of bids submitted in response to public invitation;
- (e) Evaluation of bids;
- (f) Award of contracts;
- (g) Administration of contracts
 - (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping
 - (i) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

4.3.8 Bid documentation for competitive bids

The criteria to which bid documentation for a competitive bidding process must

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	36 of 88

- a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and the
 - (iii) requirements of the CIDB, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure
- b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so,

what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

- e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

4.3.9 Invitation for competitive bids

Bids shall be invited publicly by means of advertising in a newspaper/s commonly circulating within the district, the website and or any other appropriate ways; the intention is to ensure that communities who may not be in a position to access the general press are also reached.

- a) **A fully explanatory site inspection may be conducted before the close of tenders to ensure that the bidders understand the scope of the project and that they can comply with the conditions and requirements**
- b) **Non-attendance of *compulsory* site inspection or briefing meetings shall invalidate the bid. This condition shall be indicated in the bid invitation.**
- c) The closing date for the submission of bids, will be 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date of which the advertisement is placed in a newspaper.
- d) The accounting officer can determine a closure date for the submission of bids which is less than 14 or 30 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency

or any exceptional case where it is impracticable or impossible to follow the official procurement process.

- e) Provided that the foregoing provisions shall not apply where the accounting officer, after considering a report of the relevant Manager, is of the opinion that the proposed contract is an urgent case or a special case of necessity for which tenders need not be invited or where the proposed contract is for the sale or purchase of goods, that such goods should be bought or sold by public auction. Specialised or sensitive areas shall be subjected to the closed bidding process.
- f) The bid invitation must clearly indicate that it is Municipality's prerogative not to award the tender or any part thereof to the lowest or any bidder.
- g) Bids submitted to the municipality must be sealed
- h) Bid results and awards must be made available to bidders when requested. The results must be published on the website. This process, which will ensure transparency, will also enable bidders to evaluate their performance and competitiveness for future tenders.

4.3.10 Issuing and submission of bid documents

- a) Bid documents shall be collected from *locations* as specified in the bid invitation upon payment of the following non – refundable bid deposit as prescribed by Council, where applicable;
- b) The SCM unit shall record details of all prospective bidders, who have been issued with bid documents.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	39 of 88

- c) Completed bid documents shall be deposited in a bid deposit box, which is at specified locations on or before the stipulated closing date and time.
- d) The period for which the bids are to remain valid shall be indicated in the bid document and is calculated from the closing date until the end of the final day of the period.
- e) The period of validity may be extended by mutual consent in writing between the Municipality and the bidders, provided that the original validity period has not expired, and that all bidders shall have an opportunity to extend such period.

4.3.11 Closing of Bids

- a) Bids shall close on the date and time stipulated in the bid invitation.
- b) The bid closing date may be extended if circumstances justify this action. The closing date may only be extended if there is sufficient time to publish a prescribed amendment.

4.3.12 Late Bids

- a) Bids are late if received after the closing dated and the time.
- b) A late bid shall not be considered for evaluation

4.3.13 Opening Of Tenders

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	40 of 88

- a) Immediately after the closing time, the assigned Officials will be responsible for the process of receiving and recording the bids.
- b) As soon as the bids have been opened:**
 - (i) The person opening the bids shall in each case read out the name of the bidder and the bidding price;
 - (ii) The bid document shall be stamped with the official stamp of the Municipality and endorsed with the signatures of the person opening it and of the person in whose presence it was opened;
 - (iii) The name of the bidder and the bidding price shall be recorded in a register kept for that purpose; and
 - (iv) The municipality shall publish the entries in the register and the bid results on its website.
- c) Supply Chain Management Unit remains the custodian of the Bid Documents during the supply chain management process.

4.3.14 Invalid and Non – responsive bids

4.3.14.1 Invalid Bids

- a) Where administrative documentation is either incomplete or not attached in the bid document, the service provider will be given notice (by either sms, telephone or email) to complete or submit in two (2) days,
- b) Appropriate records should be kept to indicate communication with such service providers,
- c) If the service provider does not respond accordingly in the period referred above, bids shall be considered invalid and shall be

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	41 of 88

endorsed as such by the responsible official who opened the bid in the following instances:

- (i) Where the bid is not submitted on the official bid form;
 - (ii) Where the bid is completed in non-erasable ink;
 - (iii) Where the bid form has not been signed;
 - (iv) Where the bid form is signed, but the name of the bidder is not stated or is indecipherable.
- d) When bids are declared invalid at the opening, the bid 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.
- e) In cases where

4.3.14.2 Non-responsive bids

a) Non – responsive tenders

Tenders that do not respond to any of the technical requirements of the scope of work or do not meet any of the technical specifications outlined in the enquiry in the terms of reference without clarification and acceptance by the person that issued the terms of reference, will be disqualified.

4.3.15 Negotiations with preferred bidders

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

- (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

4.3.16 Two-stage bidding process

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

4.3.17 Closed tender bidding

The municipality may use a closed selection process where:

- a) There is only a limited number of potential providers of the services;
- b) A contract with poorly performing contractors have been cancelled/terminated;
- c) There is an emergency as provided for in terms of Section 4.11

In all these cases, at least three best performing service providers registered on the municipal database of service provider must be invited for competitive bidding process.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	43 of 88

Sole sourcing bidding

- a) The system will be used in the absence of competition and where only one bidder exists;
- b) A sole source bidder normally has patent rights or sole distribution rights.

4.3.18 Public / Private Partnership (PPP)

Whenever goods, works, and/ or services are procured by means of public private partnership or as part thereof, section 120 of the MFMA should be adhered to.

4.3.19 Unsolicited bids

- 1) In accordance with section 113 of the Act, the municipality is not obliged to consider unsolicited bids received outside a normal bidding process;
- 2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid only if –
 - (a) the product or service offered in terms of the bid is demonstrably or
 - (b) proven unique innovative concept;
 - (c) the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the municipality
 - (d) the person who made the bid is the sole provider of the product or service; and
 - (e) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- 3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (2) above, the decision must be made public in accordance with section 21A of the Municipal System Act, together with –

- (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits for the municipality were it accept the unsolicited bid;
 - (c) an invitation to public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
- (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

- (10) Before deciding to consider an unsolicited bid there must be compelling reasons not to use the competitive bidding process which in some cases will bring other innovative or unique processes / products to light.

4.3.20 Committee system for competitive bids

- (1) The Municipality's committee system for competitive bids shall consist of the following committees:
- (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the MFMA.
- (3) The Accounting Officer may apply the bid committee system to written priced quotation if he deems it necessary.
- (4) A bid committee established in terms of the policy shall perform its functions, exercise its powers and discharge its duties independently and without fear, favour or prejudice and shall be accountable to the accounting officer.

4.3.21 Bid specification committees

- (1) **A bid specification committee must compile the specifications for goods or services that must be procured by the municipality.**
- (2) **Specifications –**
- (a) **must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;**

- (b) **must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;**
 - (c) **must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;**
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”.
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids.
- (3) A bid specification committee must be composed of one or more officials of the preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.**
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.**

- (5) All bid specifications and bid documentation must be compiled by the bid specification committee
- (6) The Bid Specification Committee shall be comprised of at least three municipal officials, an appointed Chairperson, the responsible official in the unit requiring service and at least one Supply Chain Management Practitioner.
- (7) Where necessary a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
- (8) The Municipal Manager, or his/her delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Specification Committee.

4.3.22 Bid evaluation committee

- (1) A bid evaluation committee must –
 - (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the preference points system set out in terms of paragraph -----
 - (b) evaluate each bidder's ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and verify whether any of the directors are in service of the state
 - (d) verify the validity of the tax clearance certificate issued by SARS;
- (2) A bid evaluation committee must as far as possible be composed of-

The Bid Evaluation Committee shall be comprised of at least three officials, an appointed Chairperson, the responsible official and at least one Supply Chain Management Practitioner/personnel.

- (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner.
- (3) The bid evaluation committee will evaluate all bids received in accordance with the criteria specified in the bid specifications, and submit a report and recommendations regarding the award of a bid to the adjudication committee.

Evaluation of Bid

Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, 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, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding 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

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 fulfil 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 has demonstrated that it has the resources and skills required to fulfil 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.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	50 of 88

- 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 must 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.
- Review thoroughly the evaluation report prepared and submitted by the appointed professional consultant
- 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 having considered the evaluation report, submit a report including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award or further recommendation to the Accounting Officer for final award.

4.3.23 Bid adjudication committee

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	51 of 88

- (1) A bid adjudication committee must –**
 - (a) consider the report and recommendations of the bid evaluation committee; and**
 - (b) either –**
 - (i) depending on its delegations, make a final award or a recommendation to the approving authority to make the final award; or**
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement**
- (2) The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:**
 - the Chief Financial Officer or a Manager designated by the Chief Financial Officer;**
 - at least one senior supply chain management practitioner and**
 - a technical expert in the relevant field who is an official of Molemole, if Molemole has such an expert.**
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.**
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.**
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.**

- (7) The accounting officer must comply with section 114 of the MFMA within 10 working days.

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.
- During competitive bidding and adjudication processes or before the award of a contract, the accounting officer may, at his or her discretion, specifically request the internal audit function to carry out audit procedures and provide an opinion on compliance of the bidding process with the Municipal Supply Chain Management Regulations
- 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.

4.3.24 Approval of Bid not Recommended

- If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:
 - ✓ check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	53 of 88

- ✓ 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 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.

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

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	54 of 88

- If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful bidder 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 report kept for record purposes.

4.3.25 Procurement of banking services

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

4.3.26 Procurement of IT related goods or services

- (1) The accounting officer may request the services of IT specialists to assist with the acquisition of IT related goods or services through a competitive bidding process.

- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made,
- (3) The accounting officer must notify the IT specialists together with a motivation of the IT needs if –
 - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to council, national treasury, the provincial treasury and the auditor-general

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

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

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) there is no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits to do so; and
- (d) that other organ of state and the provider has consented to such procurement in writing.

4.3.27.1 Procurement of goods necessitating special safety arrangement

- (a) the acquisition of bulk goods of a special safety (other than water) will be discouraged which necessitate special safety arrangement, including gasses and fuel.
- (b) where the storage of goods in bulk is justified, such justification will be based on sound reasons, including the total cost of ownership and cost advantages for the municipality.

4.3.28 Proudly SA Campaign/ Local Production Content

The municipality will ensure that where necessary preference will be given to local goods and service during procurement. Bids in respect of services, works or goods that have been designated for local production and content, must contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered

Where there is no designated sector, an organ of the state may include, as a specific tendering condition, that only locally produced services, works or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(S) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.

Every tender issued in terms of regulation 9 must be measurable and audited.

Where necessary, for tenders referred to in sub-regulation (1) and (3) , a two stage tendering process may be followed, where the first stage involves functionality and minimum threshold for local production and content and the second stage price and B-BBEE with the possibility of price negotiations only with the short listed tenderer/s.

CONDITIONS

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	57 of 88

Only a tenderer who has completed and signed the declaration part of the tenders documentation may be considered.

An organ of state must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.

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

Points scored must be rounded off to the nearest 2 decimal places.

In the event that two or more tenders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for B-BBEE.

However, when functionality is part of the evaluation process and two or more tenders have scored equal points including preference points for B-BBEE, the successful tender must be the one scoring the highest score the functionality.

Should two or more tender be equal in all respect, the award shall be decided by the drawing of lots.

A trust, consortium or joint venture will qualify for points for their B-BBEE status level as a legal entity, provided that the entity submits their B-BBEE status level certificates.

A trust, consortium or joint venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B- BBEE scorecard as if they were a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate tender.

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

58 of 88

[Type text]

SUBCONTRACTING

A person must not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a tenderer intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tender qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.

A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned , unless the contract is subcontracted to an exempted micro enterprise that has the capability and ability to execute the sub0-contract.

A person awarded a contract in relation to a designated sector may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

4.3.29 Procurement of services by tertiary institution

When an organ of the state is in need of a service provided by only tertiary institution, such services must be procured through a tendering process from the identified tertiary institutions.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	59 of 88

Tertiary institutions referred to in sub-regulation (11) will be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice

4.3.30 Cancellation and re-invitation of tender

- 1) In the event that, in the application of the 80/20 preference point system as stipulated in the tender documents, all tenders received exceed the estimated Rand value of R1 000 000 , the tender invitation must be cancelled.**
- 2) If one or more of the acceptable tenders received are within the prescribed threshold of R1 000 000, all tenders received must be cancelled on the 80/20 preference point system.**
- 3) In the events that, in the application of the 90/10 preference point system as stipulated in the tender documents , all tenders received are equal to , or below R1 000 000 , the tender must be cancelled.**
- 4) If one or more of the acceptable tenders received are above the prescribed threshold of R1 000 000, all tenders received must be evaluated on the 90/10 preference point system.**
- 5) An organ of state which has cancelled a tender invitation as contemplated in sub-regulations (1) (a) and (2) (a) must re-invite tenders and must, in the tender documents, stipulate the correct preference point system to be applied.**

4.3.31 Appointment of consultants

- 1) The consultants shall be appointed according to the applicable Acts as amended and remunerated according to the latest applicable Government Gazette regarding professional fees:
- 2) **Consultancy services must be procured through competitive bids if**
 - a) **the value of the contract exceeds R200 000 (VAT included); or**
 - b) **the duration period of the contract exceeds one year.**
- 3) **In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –**
 - a) all consultancy services provided to an organ of state in the last five years; and
 - b) any similar consultancy services provided to an organ of state in the last five years.
- 4) **The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality**

NON- TECHNICAL PROJECTS AND CONSULTANTS

The evaluation and appointment of consultants and professional service providers involved in services other than physical infrastructure shall be subjected to the same criteria provided that the base value is calculated on the strength of price and shall include factors related to cost, expertise, experience, methodology, deliverables and the remainder to specific goals.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	61 of 88

4.4 *Deviation from, and ratification of minor breaches of, procurement processes*

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 emergency¹;*
 - (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.*
 - (c) In extreme cases where life and property are threatened the most senior person available shall authorize emergency measures which shall be reported to the Accounting Officer as soon as reasonably possible.*
- (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.
- (3) Subparagraph (2) does apply only to the procurement of goods and services contemplated in paragraph 4.11 of this policy.

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

62 of 88

Molemole Municipality

[Type text]

4.5 Avoiding abuse of supply chain management system

The Accounting Officer:

- (1) must take all reasonable steps to prevent abuse of the supply chain management system;
- (2) investigate any allegations against an official or other role player, of corruption, improper conduct or failure to comply with the supply chain management system. The justified, the Accounting Officer must take
- (3) steps against such official or other role player and inform the provincial treasury of such steps, and report any conduct that may constitute a criminal offence to the South African Police Service;
- (4) must check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, nor any of its director are listed as companies or persons prohibited from doing business with the public sector;
- (5) must reject the bid from a service provider: -
 - (i) **who fails to provide written proof from the from SARS that the supplier either has no outstanding tax obligation;**
 - (ii) *who has any outstanding obligations in respect of municipal rates and taxes or any other charged as prescribed by the Municipality;*
 - (iii) who has during the last five years failed to perform satisfactory on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (6) may disregard the bid of any bidder if that bidder, or any of its directors:
 - i. has abused the national or provincial department's or the Municipalities supply chain management system;

- ii. has committed fraud or any other improper conduct in relation to such system;
- (7) must inform the relevant the relevant treasury of any action taken in terms of this paragraph;
- (8) may cancel the contract awarded to a person:
 - i. the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract;
 - ii. an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract.

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

64 of 88

Molemole Municipality

[Type text]

5.0 LOGISTICS MANAGEMENT

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

- 2) The SCM unit shall be responsible and accountable for the establishment, management and operation of store facilities for the Municipality.
- 3) The management of stores shall include amongst others:
 - a) The day to day operation of the Municipality's store;
 - b) Determining the range and nature of items that will be carried in the store facility;
 - c) Setting the inventory level;
 - d) Timely placement of orders when stock levels are low;
 - e) Receiving and distribution of goods; and
 - f) Expediting orders.

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

66 of 88

Molemole Municipality

[Type text]

6.0 DISPOSAL MANAGEMENT

- 1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the MFMA, are as follows:
 - (a) vehicles that have been scrapped;
 - (b) motors, pumps, panels and other electro-mechanical equipment which do not have the capacity to meet the demand and which cannot be used elsewhere in the system;
 - (c) damaged motors, pumps, panels and other electro-mechanical equipment, the repairs to which cost more than 60% of the cost of a new replacement item; and
 - (d) plant, vehicles and equipment that have exceeded their economic life.

- (2) Assets may be disposed of by –
 - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset.

- (3) The accounting officer must ensure that –
 - (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	67 of 88

- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and**
- (g) in the case of the free disposal of computer equipment, the councillors are first approached to indicate within 30 days whether any of the local schools, traditional leaders, NGO's are interested in the equipment.**

The Municipality's asset management policy will be considered as far as this matter applies.

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

68 of 88

Molemole Municipality

[Type text]

7.0 RISK MANAGEMENT

7.1 Risk Management

The supply chain management process must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks. The following risk management measures shall be implemented under this policy.

7.2 Bid Security

- a) **In all cases where property of the council is placed in the hands of a private organisation, security covering the full value of the property must be obtained.**
- b) **Where the estimated cost of the project will, in the opinion of the Municipality constitute a higher risk of services not being completed in time by the contractor and therefore security is always required for the completion of construction service. Where security is required, details of the required security are stipulated as a bid condition.**
- c) **MOLEMOLE LOCAL MUNICIPALITY may waive the requirements for a security in order to facilitate immediate entry of emerging small-scale entrepreneurs in the small works sector of the construction industry. The net effect is that the council will underwrite the risks of such contracts in order to provide opportunities that will target a specific sector.**

7.3 Professional Registration and Indemnity Insurance

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	69 of 88

- (1) In order to maintain such a high standard of work and keeping in mind the possible risk Council is exposed to, as well as the relevant legislation regarding the professions, it is of utmost importance that only firms registered with their relevant professional bodies are allowed for appointment by Council.
- (2) Furthermore, all such firms must have a valid and current Professional Indemnity insurance policy in place. The purpose of such a policy is to provide protection for any loss, damage, death liability or take-over of a third party or a loss sustained by the Council, related to an oversight, omission or negligence pertaining to the non-adherence of professional duties for which the consultant is responsible.

7.4 Deed of Cession

In recognition of the difficulties experienced by Emerging contractors in the procurement of materials due to suppliers classifying them as high risk, MOLEMOLE LOCAL MUNICIPALITY will allow cession arrangement in good faith where MOLEMOLE LOCAL MUNICIPALITY will undertake to pay the supplier directly from the contractor's certificate before paying the contractor.

7.5 Insurance

The contractor must supply proof of insurance in accordance with applicable General Conditions of Contract.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	70 of 88

7.6 Sureties

a) The following deviations from the General Conditions of Contracts should be noted and that the projects listed below are afforded according to risk and the following sureties shall be applicable:

- Micro projects Nil
- Small projects 2.5%
- Medium Projects 5%
- Large projects A & B 10%

b) Whereas in the case of micro projects sureties have been waived, for small and medium projects the sureties have been reduced, a cash surety will be deducted in equal percentages of the progress payments during the duration of the contract will be allowed. In the case of large projects not exceeding R2 million a cash deduction from the first three progress payments covering the full surety percentage will be allowed. In case of large projects over R2 million only bank bonds will be allowed in accordance with the general Conditions of Contract.

7.7 Retention

a) The following deviations from the General Conditions of Contracts should be noted. MOLEMOLE LOCAL MUNICIPALITY shall retain the following percentages of the project cost from the Contractor during the construction as a guard against defects that might be noticed after practical completion-

- Micro 5%
- Small 5%
- Medium 10%

- Large 10%
- b) The retention will be released as follows:
- Micro : 2.5% released at completion of the Project and the balance after 3 months
 - Small : 2.5% released at completion of the Project and the balance after 6 months
 - Medium: 5% released at completion of the Project and the balance after 12 months

 - Large : 5% released at completion of the Project and the balance after 12 months
- c) Molemole Local Municipality shall retain 5% on the account of the consultant as retention, which will be released after three (03) months, provided the following conditions have been complied with:
- 1) Submission of as built drawings;
 - 2) Submission of completion reports, operating manuals and equipment warranties; and
 - 3) There are no unresolved management and or community issues outstanding.

7.8 Penalties

- a) All contracts awarded to contractors will be subject to a penalty clause. The penalty clause is necessary to encourage contractors to complete their assignments within the contract time.
- b) The following penalties should be applicable
- (i) Micro projects 0.02 % of contract amount per day

- (ii) **Small projects 0.04 % of contract amount per day**
- (iii) Medium projects 0.06 % of contract amount per day
- (iv) Large projects 0.1 % of contract amount per day
- (v) A penalty clause does not and cannot ensure that a contract will be completed on time and therefore the enforcement of penalties will become a reality. Penalties should at least cover any loss incurred by the Council.

8.0 PERFORMANCE MANAGEMENT

Performance Management

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

The performance management system framework and service standards will serve as a tool in as far as supply chain is concerned.

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

74 of 88

[Type text]

9.0 OTHER MATTERS

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

- (1) **No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.**
- (2) **Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.**
- (3) **If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.**

9.2 Prohibition on awards to persons in the service of the state

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

9.3 Awards to close family members of persons in the service of the state

- (1) The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –
- (a) the name of that person;
 - (b) the capacity in which that person is in the service of the state;
and
 - (c) the amount of the award.

9.4 Ethical standards

- (1) All officials and other role players engaged in the supply chain management system of the Municipality, must comply with the highest ethical standards in order to promote mutual trust and respect, and an environment where business can with integrity and in a fair and reasonable manner;
- (2) All officials of the Municipality must comply with provisions of the Code of Conduct for officials as contained in Schedule 2 of the Municipal Systems Act, and the National Treasury's Code of Conduct for Supply Chain Management Practitioners and other role players involved in Supply Chain Management as adopted by Council.
- (3) In the event that an official abuses or do not comply with the provisions of the SCM Policy. Action shall be taken against the official in terms of the Conditions of Service as well as Chapter 15 of the Act.

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	76 of 88

(4) An official or other role player involved in the implementation of this Policy

–

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding subparagraph (4) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must, for the purpose of subparagraph (b) above, declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must be scrupulous in his or her use of property belonging to Municipality;
- (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

77 of 88

[Type text]

- (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (5) Declarations in terms of subparagraphs (4)(d) and (e) -
- (a) must be recorded in a register which the accounting officer must keep for this purpose;
 - (b) by the accounting officer must be made to the Executive Mayor of the Municipality who must ensure that such declarations are recorded in the register.
- (6) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

9.5 *Inducements, rewards, gifts and favours to Municipal officials and other role players*

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to the Municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which

such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

9.6 Sponsorships

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

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

9.7 Objections and complaints

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

9.8 Resolution of disputes, objections, complaints and queries

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

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

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	79 of 88

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

9.9 *Contracts providing for compensation based on turnover*

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	80 of 88

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

9.10 Amendment of the supply chain management policy

- (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 Council.
- (2) If the accounting officer submits proposed amendments to Council, that differ from the guidelines issued by the National Treasury, the accounting officer must ensure that such proposed amendments comply with the Regulations;
- (4) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

10.0 PREFERENCE POINT SYSTEM

The Preferential Procurement Regulations (Act No. 5 of 2000) provides 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:

- a) Implementing the programme of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.
- b) 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.
- c) **MOLEMOLE 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.**

10.1 Calculation of Preference Points

10.1.1 Procurement of goods and services

- 1) **MOLEMOLE LOCAL MUNICIPALITY shall use the 80/20 preference point system in respect of bids/quotations above R30 000 up to R1000 000 with a maximum of 20 points allocated for specific goals and the 90/10 system in respect of projects above R1000 000 with a maximum of 10 points allocated for specific goals;**

DOCUMENT REFERENCE		OWNER	
VERSION NO		PAGE NUMBER	82 of 88

Specific goals are as follows;

Points must be awarded to a tenderer for attaining the BBB EE status level contributor

<i>BBBEE level contributor</i>	<i>No of points</i>
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
<i>Non compliant</i>	0

The formula

$$Ps = 80x \{1 - (Pt - Pmin) / Pmin\} + BEE \text{ Score points}$$

$$100\% \text{ will be: } Ps = 80x1 + BEE \text{ Score points} = 100$$

Where

Ps = Points scored for bid under evaluation

Pt = Rand value of bid under consideration

Pmin = Rand value of lowest acceptable bid

For 90/10 preference point system

B-BBEE status level contributor	
---------------------------------	--

1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non compliant	0

The formula

$$Ps = \frac{90}{100} \times \{1 - \frac{(Pt - Pmin)}{Pmin}\} + BBEE$$

100% will be: $Ps = \frac{90}{100} \times 1 + BBEE \text{ Score card} = 100$

Where

Ps = Points scored for bid under evaluation

Pt = Rand value of bid under consideration

Pmin = Rand value of lowest acceptable bid

The municipality may further utilize 90/10 preference point system as 80/10/10, particularly for large (A) projects and higher

*Functionality points (Reputation and references =2, financial references =2, experience =2, specific knowledge =2, plant and equipments =2) representing the 10 points

10.1.2 for the sale and letting of assets and services

DOCUMENT REFERENCE		OWNER		Molemole Municipality
VERSION NO		PAGE NUMBER	84 of 88	

[Type text]

For all bid and quotations with an estimated or averaged value between R10 000 (ten thousands 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, for all technical projects above R 1 500 000.00(Large A Category) the **80/10/10 preference points shall apply as follows:**

The formula

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 price of the bid under consideration

Pt = Rand value of bid under consideration

Ph = Rand value of highest acceptable bid

The equity scoring formula for both 80/20 and 90/10 will be as follows

The formula

Price scoring 80/10/10

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

Where:

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

85 of 88

[Type text]

Ps = Points scored for price of the bid under consideration

Pt = Rand value of bid under consideration

Ph = Rand value of highest acceptable bid

Price scoring 90/10

$$Ps = 90 \times (1 + (Pt - Ph) / Ph)$$

2.4.2 Procurement of goods and services from state-owned enterprises, tertiary institutions, cbos', and ngos'.

- When an organ of the state is in need of a service provided by only tertiary institutions, such services must be procured through a tendering process from the identified tertiary institutions.
- Tertiary referred to will be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE codes of practice
- Should an organ of the state require a service that can be provided by one more tertiary institutions or public entities and enterprise from the private sector, the appointment of a contractor must be done by the means of a tendering process
- Public entities will be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE codes of good Practice

DOCUMENT
REFERENCE

OWNER

VERSION NO

PAGE NUMBER

86 of 88

Molemole Municipality

[Type text]

11.0 CONTRACT MANAGEMENT

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

1. 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.
2. The expansion or variation of orders against the original contract has, however, led to wide scale abuse of the current SCM system.
3. In order to mitigate such practices, accounting officers of municipalities and municipal entities are advised that, from the date of this Circular, 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.
4. Any expansion or variation in excess of 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.
5. 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.

DOCUMENT
REFERENCE

OWNER

Molemole Municipality

VERSION NO

PAGE NUMBER

87 of 88

[Type text]

12.0 COMMENCEMENT

Council resolves in terms of Sec 111 of the Local Government Municipal Finance Management Act (Act No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of Molemole Local Municipality as per council resolution number _____

This Policy takes effect on the **01st July 2015**

Signature:	
Initials and Surname:	P Makgatp
Designation:	Mayor
Council Resolution Number:	
Council Date:	30 May 2016