



Molemole Municipality

SUPPLY CHAIN MANAGEMENT POLICY



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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

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- (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);

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“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.**

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- 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:

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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 attends 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 Municipality Manager and all representatives of the Molemole Local Municipality involved in supply chain management activities shall act with integrity and in

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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

3.3.1 Role of Council

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- d) Developing draft specifications for the procurement by his /her department,
- e) Asset utilization 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;
- g) Ensures that all employees involved in the supply chain management process receive the necessary training to support implementation of the SCM policy;

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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



- (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



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;

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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

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- (3) The Accounting Officer, may lower, but not increase, the different threshold values specified above, or direct that:
 - 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

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(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 Central Suppliers Database (CSD)

- (1) The accounting officer must –
 - (a) ensure that all service providers doing business with the municipality are registered in the central supplier database.

4.3.4 Petty cash purchases

The Accounting Officer stipulated in the petty cash policy the conditions and threshold for the procurement of goods and services.

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- 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.

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4.3.8 Bid documentation for competitive bids

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

- 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

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- 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.

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- (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 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;



- (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.

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) 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.

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- (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

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- (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.

4.3.22.1 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 the Master Registration Number or Tax compliance status pin [or a valid copy of tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes

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- 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 , .

4.3.22.2 Evaluation of Bid based on stipulated minimum threshold for local production and content.

- The preferential procurement regulation,2011 pertaining to the PPPFA, which came into effect on 7 December 2011, make provision for the DTI to designated sectors in line with national development and industrial policies for local production.
- To this, the DTI has designated and determined the stipulated minimum threshold for the following sectors, for local production and content.

List

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

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- (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

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- 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.

4.3.24 Decline/failure to supply or delivery by the recommended bidder within 90 days from the advert closing date.

- ✓ The municipality to consider the subsequent bidder on competitive bidding.
- ✓ The Municipal Manager must formal write a letter to the Bid adjudication committee informing them to re-adjudicate since the first recommended bidder has declined/failure to adhered the offer.

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

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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.

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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.

4.3.28.2 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.

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- 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



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.

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



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.

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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;

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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

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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%



- (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.



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

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- (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 –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or

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

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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.

30 per cent Sub-contracting

The MLM will sub-contract a minimum of 30% of the value of the contract to EMEs or QSEs or EMEs or QSEs which are 51% owned by either of the following: Blacks; Black Youth; Black Women; Black people with disabilities; Black people living in rural or underdeveloped areas or townships; cooperatives owned by Black people; Black people who are military veterans.

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.

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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	14
4	12
5	8
6	6
7	4
8	2
Non-compliant	0

The formula

$P_s = 80 \times \{1 - (P_t - P_{min}) / P_{min}\} + \text{BEE Score points}$

100% will be: $P_s = 80 \times 1 + \text{BEE Score points} = 100$

Where

P_s = Points scored for bid under evaluation

P_t = Rand value of bid under consideration

P_{min} = Rand value of lowest acceptable bid



10.1.2 for the sale and letting of assets and services

For all bid and quotations with an estimated or averaged value between R10 000 (ten thousands rand) and R 50 000 000 (Fifty million rand) including VAT, preference points system of 80/20 shall apply and for all quotation and bids above R50 000 000 the 90/10 preference point system 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)

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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.

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