

# **ABAQULUSI MUNICIPALITY**



## **SUPPLY CHAIN MANAGEMENT POLICY**

**2019 -2020**

**SUPPLY CHAIN MANAGEMENT POLICY LOCAL GOVERNMENT:  
MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

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## DEFINITIONS

1. 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 –

**“competitive bidding process”** means a competitive bidding process referred to in paragraph 12 (1) (c) of this Policy;

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

**“ Day” means** When a number of days is prescribed for doing something, then that number must be calculated by excluding the first day and including the last day, unless the last day falls on a Sunday or a public holiday or on a day during the period between 16 December to 7 January, in which case that day or period must be excluded.

**“Emergency or Urgent case”** means the duration of invitation of bids would have material impact on service delivery/community/public and early delivery is critical importance, resulted from natural disaster and immediate action is required to avoid a dangerous or life threatening situation, misery or want.

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

**“formal written price quotation”** means quotations referred to in paragraph 12 (1) (b) of this Policy;

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

**“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;

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

**“list of accredited prospective providers”** means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

**“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);

**“Sole Supplier”** it refers in instances where there is no competition and only one service provider exist in the market, with sole distribution rights and/or patent rights or manufacturer

**“Strip & Quote”** when one quote is received for repairs and maintenance on our machines, vehicles are done by one supplier and/or strip and quote, for example a municipal vehicle enters the workshop that needs repairs, however to do repairs, the vehicle has to be stripped by the supplier in order to determine what repairs should be done.

**“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;

**“The Council”** means the Abaqulusi Municipality

## **CHAPTER 1**

### **IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

#### **2. Supply chain management policy**

- (1) All officials and other role players in the supply chain management system of the Abaqulusi municipality must implement this Policy in a way that –
  - (a) gives effect to –
    - (i) section 217 of the Constitution; and
    - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
  - (b) is fair, equitable, transparent, competitive and cost effective;
  - (c) complies with –
    - (i) the Regulations; and
    - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
  - (d) is consistent with other applicable legislation;
  - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
  
- (2) This Policy applies when Abaqulusi Municipality –
  - (a) procures goods or services;
  - (b) disposes goods no longer needed;
  - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
  - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
  
- (3) 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 Act, 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.

### **3. 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 the Abaqulusi Municipal council.
- (2) If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –
  - (a) ensure that such proposed amendments comply with the Regulations; and
  - (b) report any deviation from the model policy to the National Treasury and the KZN provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

### **4. Delegation of supply chain management powers and duties**

- (1) The Abaqulusi Municipal council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
  - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
    - (i) Chapter 8 or 10 of the Act; and
    - (ii) this Policy;
  - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

- (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- (3) The accounting officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of Abaqulusi Municipality or to a committee which is not exclusively composed of officials of Abaqulusi Municipality;
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

#### **5. Sub delegations**

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



- (4) A written report referred to in subparagraph (3) must be submitted –
  - (a) to the accounting officer, in the case of an award by –
    - (i) the chief financial officer;
    - (ii) a senior manager; or
    - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
  - (b) to the chief financial officer or the senior 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.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant. Advisors or consultants may attend BSC and BEC meeting in their capacity and limited to consultants appointed by council as a principle agent, who were either involved with drafting of specification and technical evaluation of bids under their supervision as per their appointment.

#### **6. Oversight role of council**

- (1) The council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –
  - (a)
    - (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy to the council and
    - (ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.
- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

#### **7. Supply chain management unit**

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

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

**8. Training of supply chain management officials**

The training of officials involved in implementing this Policy should be in accordance with national Treasury: Local Government: Municipal Finance Management Act: Municipal Regulations on Minimum Competency Levels dated 15/06/2007 and any other Treasury guidelines on supply chain management training.

## **CHAPTER 2**

### **SUPPLY CHAIN MANAGEMENT SYSTEM**

#### **9. Format of supply chain management system**

This Policy provides systems for –

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

#### ***Part 1: Demand management***

#### **10. System of demand management**

(1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by Abaqulusi Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

(2) The demand management system must –

- (a) include timely planning and management processes to ensure that all goods and services required by Abaqulusi Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
- (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
- (c) provide for the compilation of the required specifications to ensure that its needs are met.
- (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

## **Part 2: Acquisition management**

### **11. System of acquisition management**

- (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
  - (a) That goods and services are procured by Abaqulusi 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 Act;
  - (c) that the threshold values for the different procurement processes are complied with;
  - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
  - (e) that any Treasury guidelines on acquisition management are Properly taken into account.
  
- (2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the Abaqulusi Municipality's supply chain management system, including -
  - (a) the kind of goods or services; and
  - (b) the name of the supplier.

### **12. Range of procurement processes**

- (1) Goods and services may only be procured by way of –
  - (a) Petty Cash purchases, up to a transaction value of R2000.00 (VAT Included)
  - (b) One written quotation for procurement of a transaction value over R2000.01 up to R3000.00 (vat inclusive);
  - (c) Three written quotations for procurement of a transaction value over R3 000.01 up to R30 000.00 (vat inclusive);
  - (d) Formal written quotation 7 days advert for procurement of a transaction value over R30 000.01 up to R200 000.00 (vat inclusive); and
  - (e) A formal competitive bidding process for–
    - i. Procurement above a transaction value of R200 000-01 (VAT included); and
    - ii. the procurement of long term contracts.

(a) The preferential points as per the requirements of the Preferential Procurement Policy Framework Act 2000; Preferential Procurement Regulations, 2017 will be applied as follows to the competitive bidding process in (d) and (e) above:

- a. the 80/20 points system shall apply for procurement to the value of R50 000 000.00, and
- b. the 90/10 points system shall apply for procurement to the value in excess of R50 000 000.00

(2) The accounting officer may, in writing-

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

(b) direct that –

- (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
- (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000; or
- (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

(3) 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.

(4) **Variation Order** : In cases where the estimated value of the envisaged changes in purchase does not vary more than 15% of the total value of the original contract, the contractor may be instructed to deliver the goods or render the services as such. In cases of measurable quantities, the contractor may be approached to reduce the unit price, and such offers may be accepted provided that there is no escalation in price.

#### (5) **SUNDRY PAYMENTS**

The following line items are not required to be procured through the SCM process.

The end user must submit the sundry documents with the original invoice to the finance signed by the Head of Department or by a delegated person:

- AG & INTERNAL Audit fees;
- Accommodation
- Bank Charges;
- Bursaries and student practical work;
- Compensation for injuries and diseases;
- Legal expenses (outside the formal bid process – limited to ad hoc services)
- License fees;
- Donations/grants by Council;
- Entertainment (Music, dancers, isigekle, indlamu, etc);
- Refreshments
- Mayoral donations;
- Medical expenses;
- Membership fees;

- Telecommunications (Telkom, Vodacom, MTN, CELL C)
- transport ( Taxi and bus's Associations, flight )
- Reference books, news papers and magazines;
- Eskom,
- Debit orders;
- Contractual obligations appointed through bids

### **13. General preconditions for consideration of written quotations or bids**

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

- (a) has furnished that provider's –
  - (i) full name;
  - (ii) identification number or company or other registration number; and
  - (iii) tax reference number and VAT registration number, if any;
- (b) has authorised Abaqulusi Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) has indicated –
  - (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.

### **14. Lists of accredited prospective providers**

- (1) The accounting officer must –
  - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through 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
  - (d) 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.

- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per type of service.
- (4) Service providers must be registered on both Abaqulusi Municipal Database and Central Suppliers Database.

**15. Petty cash purchases**

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –

- (a) The Manager : Expenditure may, in writing delegate responsibility to monitor for petty cash to an official reporting to the Manager : Expenditure on the following terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager; wherein:-
  - (i) only the manager must approve or authorize the petty cash voucher;
  - (ii) signed authorized petty cash voucher with the slip must be filed and recorded in a petty cash register;
  - (iii) the Petty cash box must always be locked in a secured safe when it is not in use;
  - (iv) the Manager: Expenditure must verify the petty cash reconciliation in every incident it is replenished;
  - (v) the Manager: Expenditure will make random inspections of petty cash float as he/she deems fit; at least once a month.
- (b) Cash purchases are limited to an amount of R 200.00 per transaction and the maximum amount of R 2000 per month for each manager;
- (c) no salary related expenditure may be expedited from petty cash transaction purchases; and
- (d) a monthly reconciliation report from each manager must be provided to the chief financial officer, including –
  - (i) the total amount of petty cash purchases for that month; and
 receipts and appropriate documents for each purchase

**16. Written quotations (R2000.01 – R3000.00)**

The conditions for the procurement of goods or services through written quotations are as follows (*read with section 12.3 of this policy*)

- a) Quotations must be obtained from at least one service provider preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by 14(1) (b) and (c) of this policy;

- b) Only one quote be sourced for strip and quote and must be obtained from supplier available in the area or dealerships
- c) Building material quotations be obtained from suppliers available in the area

**17. Formal written price quotations (R30000.01 – R200 000.00)**

- (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows (*read with section 12.3 of this policy*):
  - (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of Abaqulusi Municipality and Central Supplies Database;
  - (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
  - (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
  - (d) the accounting officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

**18. Procedures for procuring goods or services through formal written price quotations**

The procedure for the procurement of goods or services through formal written price quotations is as follows (*read with section 12.3 of this policy*):

- (a) When using the list of accredited prospective providers the accounting officer must promote on going competition amongst providers by inviting providers to submit quotations on a rotation basis; ie, if the service provider has been recently awarded for the same service/work/good, the rotation process must be followed for the awarding of quotations.
- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of Abaqulusi Municipality;
- (c) Offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub delegation;
- (e) Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (f) Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- (g) Original documents are to be kept in a safe and secure place by SCM Unit.

**19. Competitive bids**

- 19. (a) (*Read with section 12.3 of this policy*)



- (1) Goods or services above a transaction value of R200 000.01 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
  - (2) No requirement for goods or services above an estimated transaction value of R200 000.01 (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.
19. (b) In an effort to promote empowerment of local contractors and emerging service providers an empowerment partnership arrangement between big and emerging service providers within Abaqulusi jurisdiction, a mandatory 30% of the awarded construction project must be sub contracted to local suppliers limited to CIDB 1 and 2 subject to CIDB 1 and 2 limits of R650 000.00 as guided by CIDB regulations.
- 19 (c) In the case of Abaqulusi local will be defined as a supplier within the Abaqulusi jurisdiction will be obliged to have statement of municipal rates or proof of residence being verified and certified by the ward councillor concerned.
- 19(d) All sub-contracting must be in line with the PPPFA Act Regulations of 2017.

## **20. Process for competitive bidding**

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

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29;
- (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.

## **21. Bid documentation for competitive bids**

The criteria to which bid documentation for a competitive bidding process must comply, 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
  - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include 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.

## **22. Public invitation for competitive bids**

- (1) The procedure for the invitation of competitive bids is as follows:
  - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating Locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
  - (b) The information contained in a public advertisement, must include –
    - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in

- any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
    - (ii) a statement that bids may only be submitted on the bid documentation provided by Abaqulusi Municipality; and be completed in hand writing
    - (iii) date, time and venue of any proposed site meetings or briefing sessions; and
    - (iv) that the bid will be evaluated on functionality, if applicable.
    - (v) A statement stating that no late bid/proposal will be accepted.
  - (c) Where the bid will be evaluated on functionality-
    - (i) the evaluating criteria must be objective
    - (ii) the following must be clearly specified in the invitation to submit a bid-
      - (a) evaluation criteria for measuring functionality;
      - (b) weight of each criterion;
      - (c) applicable values; and
      - (d) minimum qualifying score
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed, marked clearly with bid number and description.
- (4) No electronic copies may be sent to bidders unless bid advertised on e-tender portal

### **23. Procedure for handling, opening and recording of bids**

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

- (a) Bids-
  - (i) must be opened only in public by at least two SCM representatives;
  - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
  - (iii) received after the closing time should not be considered and returned unopened immediately.
  - (iv) Should the bidder who submitted a late bid not be at the opening or the envelope not have a return address, such bid will be filed un-opened for the duration of the bid process and thereafter be opened to obtain the postal address and the re- sealed envelope returned to the bidder.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

- (d) The accounting officer must –
  - (i) record in a register all bids received in time;
  - (ii) make the register available for public inspection; and
  - (iii) publish the entries in the register and the bid results on the website

#### **24. Negotiations with preferred bidders**

- (1) 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.

#### **25. 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.

#### **26. Committee system for competitive bids**

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
  - (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 Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

- (4) The committee system must be consistent with –
  - (a) Paragraph 27, 28 and 29 of this Policy; and
  - (b) any other applicable legislation.
  
- (5) The accounting officer may apply the committee system to formal written price quotations.

**27. Bid specification committees**

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by Abaqulusi 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 2011;
  - (g) must, where applicable, comply with regulation 4 of the PPPFA ; and
  - (h) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
  
- (3) A bid specification committee must be composed of -
  - i. Three or more officials of the Abaqulusi Municipality who serve as standing members, with one from finance and may, when appropriate include external specialist advisors or invite the user department, which members will be appointed by the Accounting Officer in writing.
  - ii. At least technically experienced officials to be co-opted on an adhoc basis from end – user department
  - iii. The quorum must be equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one

- (6) 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.

#### **28. Bid evaluation committees**

- (1) A bid evaluation committee must –
- (a) evaluate bids in accordance with –
    - (i) functionality criteria, if applicable, and no bid must be regarded as an acceptable bid if it fails to achieve the minimum qualifying score for functionality as indicated in the bid invitation ;
    - (i) the specifications for a specific procurement; and
    - (ii) the points system set out in terms of paragraph 27(2)(f).
  - (b) evaluate each bidder's ability to execute the contract;
  - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
  - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of-
- i. Three or more middle management officials of the municipality who serve as standing members, one from the Supply Chain Management Unit which members will be appointed by the Accounting Officer in writing
  - ii. An official to be co-opted from end user department preferably a manager and a knowledgeable official responsible for the function involved.
  - iii. The quorum must be equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one member

#### **29. Bid adjudication committees**

- (1) A bid adjudication committee must –
- (a) Study and consider the report and recommendations of the bid evaluation committee; and
  - (b) either –
    - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
    - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of four senior managers of Abaqulusi Municipality which must as far as possible include:
- (a) the Chief Financial Officer as chairperson or, if the Chief Financial Officer is not available, another manager in budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (b) at least one senior supply chain management practitioner who is an official of the municipality;
  - (c) A technical expert in the relevant field who is an official, if such an expert exists or an external service provider/expert for clarity reasons may be

invited to clarify any queries raised by the Bid Adjudication Committee members, if such an expert exists and have been involved in the specifications and or evaluation process.

- (d) The quorum must be equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one member
- (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.
- (5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
  - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
  - (ii) notify the accounting officer.(b) The accounting officer may –
  - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
  - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (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 Act within 10 working days

### **30. 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).

### **31. Procurement of IT related goods or services**

- (1) The accounting officer may request the State Information Technology Agency

(SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

- (2) All IT related purchases must be approved by IT Office prior following the procurement process.
- (3) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (4) The accounting officer must notify SITA together with a motivation of the IT needs if –
  - (a) the transaction value of IT related goods or services required in any financial year will exceed 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).
- (5) If SITA comments on the submission and Abaqulusi Municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the KZN provincial treasury and the Auditor General.

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

- (1) 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 have consented to such procurement in writing.
- (2) The Accounting Officer must adhere to KZN Municipal circular no.01/2016 when applying this regulation
- (3) Subparagraphs (1)(c) and (d) do not apply if –
  - (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.



### **33. Procurement of goods necessitating special safety arrangements**

- (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

### **34. Proudly SA Campaign**

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

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

### **35. Appointment of consultants**

- (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (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.
- (6) 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 Abaqulusi Municipality.

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

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

- (i) in an emergency(breakages after hours, situations that may lead to health, safety hazards or death, serious hampering of official service delivery to the community);
- (ii) if such goods or services are produced or available from a single provider only(e.g. agents/manufacturer/patent holder or items under guarantee);
- (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(such as strip and quote on rotation basis, appointment of specialized service providers);
- (vi) ad-hoc repairs to machinery, plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and
- (vii) Workshop strip and quote (as per definition).

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

- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

### **37. Unsolicited bids**

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer 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 a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;

- (c) the person who made the bid is the sole provider of the product or service; and
  - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
- (a) reasons as to why the bid should not be open to other competitors;
  - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) 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 KZN provincial treasury for comment.
19. 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 KZN 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 KZN 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 Abaqulusi Municipality to the bid may be entered into or signed within 30 days of the submission.

### **38. Combating of abuse of supply chain management system**

- (1) The accounting officer must–
  - (a) take all reasonable steps to prevent abuse of the supply chain management system;
  - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
    - (i) take appropriate steps against such official or other role player; or
    - (ii) report any alleged criminal conduct to the South African Police Service;
  - (c) check the National Treasury’s database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
  - (d) reject any bid from a bidder–
    - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to Abaqulusi Municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
    - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with Abaqulusi Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
  - (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
  - (f) cancel a contract awarded to a person if –
    - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
    - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
  - (g) reject the bid of any bidder if that bidder or any of its directors –
    - (i) has abused the supply chain management system of Abaqulusi Municipality or has committed any improper conduct in relation to such system;
    - (ii) has been convicted for fraud or corruption during the past five years;

- (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and KZN provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

**Part 3: Logistics, Disposal, Risk and Performance Management**

**39. Logistics management**

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.

**40. Disposal management**

- 1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets are subject to sections 14 and 90 of the Act.
- 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;
  - 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 provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.
- 4) Bids for disposal or letting of assets will be considered on price only.

#### **41. Risk management**

- (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:
- (a) insolvency; non-payment of rates and service charges; liquidation; unable to supply certificate from SARS.
- (2) Risk management must include –
- (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - (a) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
  - (b) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

#### **42. Performance management**

The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised

supply chain management processes were followed and whether the objectives of this Policy were achieved.

#### **Part 4: Other matters**

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

- (1) No award above R30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Prior to award the accounting officer must confirm that bidders Tax compliant.
- (3) No award will be made to a service provider who's tax status is found non-compliant prior or on award.

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

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 Abaqulusi municipality.

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

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.

##### **46. Ethical standards**

(1) A code of ethical standards as set out in “**National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management**” is hereby established

for officials and other role players in the supply chain management system of Abaqulusi Municipality in order to promote –

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

(2) An official or other 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 (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, Abaqulusi 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 Abaqulusi 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
  - (iii) any alleged breach of this code of ethical standards.



- (3) Declarations in terms of subparagraphs (2)(d) and (e) -
  - (a) must be recorded in a register which the accounting officer must keep for this purpose;
  - (b) by the accounting officer must be made to the mayor of Abaqulusi Municipality who must ensure that such declarations are recorded in the register.
- (4) 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.
- (5) A breach of the code of ethics must be dealt with in accordance with schedule 2 of the Systems Act and as follows -
  - (a) in the case of an employee, in terms of the disciplinary procedures of Abaqulusi Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
  - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
  - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

**47. Inducements, rewards, gifts and favours to municipality, 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 Abaqulusi 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.

#### **48. Sponsorships**

The accounting officer must promptly disclose to the National Treasury and the KZN 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.

#### **49. Objections and complaints**

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 calendar days of the decision or action –

- (a) if the objection or complaint is against the procurement process, submit a written objection or complaint against the decision or action to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the independent and impartial person referred to in paragraph 50 for resolution or
- (b) if such complaint or objection is against the award of a bid, lodge a written appeal with the Municipal Bid Appeals Tribunal in accordance with the provisions of paragraph 50A.

#### **50. Resolution of objections and complaints against procurement process**

(1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes to assist in the resolution of objections and complaints between the Abaqulusi municipality and any other person regarding -

- (a) any decision or actions taken in the implementation of the procurement process in terms of the supply chain management system; or
- (b) any matter arising from a contract awarded in the course of the supply chain management system.

(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 objections and complaints

received; and

- (b) submit monthly reports to the accounting officer on all such objections and complaints received, attended to or resolved.
- 
- (4) If the independent and impartial person referred to in paragraph 50.1, is of the view that a matter which should be dealt with in terms of paragraph 50A, he or she shall forthwith refer the matter to the Municipal Bid Tribunals and that Tribunal shall then hear and determine the matter in accordance with the provisions of paragraph 50A.
  - (5) An objection or complaint may be referred to the KwaZulu-Natal Provincial Treasury and Municipal Bid Appeals Tribunal if:
    - (a) the objection or complaint is not resolved within 60 days; or
    - (b) no response is forthcoming within 60 days.
  - (6) If the Provincial Treasury does not or cannot resolve the matter, the objection or complaint may be referred to the National Treasury for resolution.

#### **50A. Municipal Bid Appeals Tribunal**

- (1) The council shall establish a Municipal Bid Appeals Tribunal for its area of jurisdiction to hear and determine an appeal against the award of a bid.
- (2) The accounting officer of the municipality, in consultation with the Provincial Treasury, shall appoint the Chairperson, Deputy Chairperson and Members of the Municipal Bid Appeals Tribunal.
- (3) The powers, duties and functions of the Municipal Bid Appeals Tribunal, and matters incidental thereto, are set out in the Rules which are appended to this Supply Chain Management Policy and marked Appendix A.
- (4) The administrative and secretarial work involved in the performance of the duties and functions of the Municipal Bid Appeals Tribunal shall be performed by officers of the Provincial Treasury as set out in the Rules referred to in paragraph 50A.3.
- (5) There shall be no further appeal against a decision of the Municipal Bid Appeals Tribunal.

#### **51. Contracts providing for compensation based on turnover**

If a service provider acts on behalf of Abaqulusi 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 Abaqulusi Municipality must stipulate –

(a) a cap on the compensation payable to the service provider; and

(b) that such compensation must be performance based.

## **52. Commencement**

This Policy takes effect on 01 July 2019

### **Annexure:**

**Appendix A: Rules for municipal bid appeals tribunal**

**Appendix B: Codes of conduct for SCM Practitioners**

**APPENDIX A**  
**ABAQULUSI MUNICIPALITY**  
**RULES FOR MUNICIPAL BID APPEALS TRIBUNAL**

**1. CHAPTER 1: INTERPRETATION**

**1.1. What words mean in these rules**

In these rules any word or expression which is defined in the Municipal Supply Chain Management Regulations published on 30 May 2005 in Government Gazette No 27636 under Notice No 868 of 2005 has the same meaning, unless the context indicates that the word or expression should have another meaning, and –

- 1.1.1 “**appeal**” means a formal objection to the award of a bid by the Municipality brought in terms of these rules by an appellant;
- 1.1.2 “**appellant**” means a person who initiates a formal objection to the award of a bid by the Municipality and who qualifies as an appellant in terms of chapter 5 of these rules;
- 1.1.3 “**bid**” means a written offer equal to or in excess of R 200 000 made by a person in response to an invitation by the Municipality for the supply of goods, services, or works to the Municipality;
- 1.1.4 “**day**” means a calendar day;
- 1.1.5 “**deliver**” means to formally provide the Secretariat with a copy of a document in the manner described in rule 9.1;
- 1.1.6 “**District Municipality**” means the Zululand District Municipality;
- 1.1.7 “**interested person**” means either –

1.1.7.1 a person who was awarded a bid; and

1.1.7.2a person, other than an appellant, whose bid was rejected by the Municipality;

1.1.8 **“Municipal Bid Appeals Tribunal”** and **“Tribunal”** means the tribunal established in terms of rule 3.1 and, in relation to a particular appeal, means the particular tribunal which has jurisdiction to hear the appeal in question;

1.1.9 **“Municipal Supply Management Regulations”** means the Municipal Supply Chain Management Regulations made in terms of the Local Government Municipal Finance Management Act (Act No. 56 of 2003);

1.1.10 **“Municipality”** means the Abaqulusi Municipality;

1.1.11 **“person”** includes a company, close corporation, trust, partnership or association;

1.1.12 **“Provincial Treasury”** means the Provincial Treasury of the province of KwaZulu-Natal; and

1.1.13 **“Secretariat”** means the secretariat established in terms of chapter 4 of these rules to undertake the administration of the Tribunal and to assist with the setting down and conduct appeals.

## 1.2 **How to calculate a period of days**

When a number of days is prescribed for doing something, then that number must be calculated by excluding the first day and including the last day, unless the last day falls on a Sunday or a public holiday or on a day during the period between 16 December to 7 January, in which case that day or period must be excluded.

## 2. **CHAPTER 2: THE PURPOSE OF THE MUNICIPAL BID APPEALS TRIBUNALS**

2.1 The purpose of the Municipal Bid Appeals Tribunal is to receive, hear and decide appeals against the award of bids by the Municipality.

2.2 The Tribunal must act impartially and independently.

2.3 The Tribunal is intended to assist in maintaining the good repute of municipal bid processes in the Municipality by providing an accessible, transparent and speedy mechanism for resolving objections to the award of bids by the Municipality. Service delivery, necessarily delayed by an appeal, requires that the procedure of the Tribunal be efficient and speedy.

### 3. **CHAPTER 3: THE MUNICIPAL BID APPEALS TRIBUNALS**

#### 3.1 **Establishment**

3.1.1 The Council shall establish a Municipal Bid Appeals Tribunal for its area of jurisdiction to hear and determine an appeal against the award of a bid.

3.1.2 The accounting officer of the Municipality, in consultation with the Provincial Treasury, shall appoint the Chairperson, Deputy Chairperson and Members of the Municipal Appeals Tribunal.

3.1.3 The Municipal Bid Appeals Tribunal has as its seat the place where the District Municipality has its seat.

3.1.4 The Chairperson of the Tribunal may determine that in respect of a particular appeal, the Tribunal should sit at a place other than the seat of the District Municipality.

### 4. **CHAPTER 4: THE MUNICIPAL BID APPEALS TRIBUNAL SECRETARIAT**

#### 4.1 **Who is the Secretariat?**

The administrative and secretarial work incidental to the performance of the functions of the Municipal Bid Appeals Tribunal shall be performed by officers in the Provincial Treasury designated and assigned for such purpose by the Head of the Provincial Treasury.

#### 4.2 **Opening hours**

The office of the Secretariat must be open for the filing of documents from 08:00 to 12:30 and from 14:00 to 16:00 every day other than a Saturday, Sunday or public holiday.

#### 4.3 Contact details

The address, telephone number, fax number and e-mail address of the Secretariat is:

Physical address: 145 Chief Albert Luthuli

Pietermaritzburg

3201

Telephone no.: 033 - 897 4357

Telefax no.: 033 342 4238

Email address: philile.memela@kzntreasury.gov.za

#### 4.4 Documents

Documents may only be filed with the Secretariat at the address, telefax number or email address given in rule 4.3 and during the hours referred to in Rule 4.2. Notwithstanding rule 4.2, documents may be faxed or e-mailed to the Secretariat at any time.

### 5. CHAPTER 5: WHO MAY APPEAL?

- 5.1 Only a person who submitted a bid in response to an invitation to bid may appeal against the award of that bid to another party.
- 5.2 An interested person may lodge an appeal where the Municipality (or any committee or person acting under delegated power) has –
  - 5.2.1 committed misconduct in relation to their duties concerning the awarding of bids;
  - 5.2.2 committed a gross irregularity;
  - 5.2.3 exceeded its or their power;
  - 5.2.4 awarded a contract in an improper manner, or
  - 5.2.5 Awarded a bid in a manner which contravenes the Municipality's Supply Chain Management Policy or any applicable law.

### 6. CHAPTER 6: PRELIMINARY PROCEDURES



The Municipality must –

- 6.1 Indicate in its bid documents that appeals against the award of bids must be lodged with the Secretariat within the time period referred to in the bid documents.
- 6.2 At the time of awarding a bid –
  - 6.2.1 Formulate comprehensive reasons for the award of the bid to the successful bidder and the failure to award the bid to each interested party; and
  - 6.2.2 Prepare and retain for not less than 180 days, a comprehensive file of all documentation relevant to the award of the bid to the successful bidder and the failure to award the bid to each interested party.
- 6.3 When advertising the award of a bid, the Municipality must inform all interested parties that appeals against the award of the bid in question must be lodged with the Municipal Manager within the time period referred to in the advertisement, and that a copy should be forwarded to the Secretariat.

## 7. **CHAPTER 7: PROCESSING AN APPEAL**

- 7.1 The Appellant must within fourteen days of the award being advertised, file a notice of appeal containing the grounds of appeal with the Municipal Manager. A copy of the notice should be forwarded to the Secretariat.
- 7.2 The Municipal Manager must maintain a register in which all appeals, and the outcome thereof, are recorded.
- 7.3 On receiving the notice of the appeal, the Municipal Manager must, within 24 hours, send the appeal to the Secretariat.
- 7.4 On receiving the notice of the appeal, the Secretariat shall –
  - 7.4.1 issue the appeal with a unique number which must thereafter be reflected on all documents prepared by the Secretariat, the appellant, or any other party participating in the appeal; and

7.4.2 request the Municipality to, within three days:

7.4.2.1 confirm, in writing the names and contact details of all interested parties affected by the appeal;

7.4.2.2 serve on the Secretariat its reasons for awarding the bid to the successful bidder and for its failure to award the bid to the appellant; and

7.4.2.3 serve on the Secretariat all the documentation relevant to the decision relating to the award.

7.5 After receiving the information from the Municipality, the Secretariat shall:

7.5.1 notify all interested parties affected by the appeal that an appeal has been lodged, advise these persons of their right to respond to the appeal, and describe, in plain language, the next steps; and

7.5.2 provide the appellant with copies of the information supplied by the Municipality; and

7.5.3 require the appellant to provide written representations amplifying (if necessary) its grounds of appeal within a further five days.

7.6 On receiving the further representations from the appellant, or after the five days have lapsed, the Secretariat must, within two days, provide all the interested parties affected by the appeal with copies of the appellant's notice of appeal and further representations (if any) and advise them of their right to lodge, with the Secretariat, a response to the appeal within five days.

7.6.1 Any response to an appeal must include:

7.6.1.1 a concise statement of the grounds on which the matter is supported or opposed;

7.6.1.2 facts or allegations contained in the appellant's representations that the interested party affected by the appeal admits;

7.6.1.3 facts or allegations contained in the appellant's representations that the interested party affected by the appeal denies and the grounds for such denial; and

7.6.1.4 the material facts or points of law on which the interested party affected by the appeal relies.

7.7 Once the Secretariat has received representations from the interested parties affected by the appeal, or the period for doing so has lapsed, the Secretariat shall deliver all the documentation relevant to the appeal to the Chairperson.

7.8 On receiving the documents from the Secretariat, the Chairperson (or Deputy Chairperson in the Chairperson's absence) must within two days of receiving the documentation decide whether the appeal:

7.8.1 is frivolous, vexatious or without any merit; or

7.8.2 should be determined on the basis of the documents alone; or

7.8.3 should be referred to an oral hearing.

7.9 The Secretariat, within two days of receiving the Chairperson or Deputy Chairperson's decision on whether or not to proceed with the appeal, must:

7.9.1 issue a notice of non-referral if the appeal has been deemed to be frivolous, vexatious or without any merit; or

7.9.2 notify the appellant, interested parties affected by the appeal and the Municipality that the appeal will be determined on the basis of the documents alone; or

7.9.3 notify the appellant, interested parties affected by the Appeal and the Municipality that the appeal will be determined on the basis of an oral hearing, inform these parties of the venue, date and time of the hearing, and inform them of any directives that may have been issued by the Chairperson with regard to the conduct of the appeal.

**7.10 Withdrawal of matters**

An appellant, before an application has been decided, may withdraw the application, or any part of the application, by serving a notice to this effect on the Secretariat.

## 8. **CHAPTER 8: HEARINGS**

### 8.1 **Informality**

8.1.1 Any oral hearing of an appeal must be informal and must follow the procedures determined by the Chairperson or Deputy Chairperson, as the case may be.

8.1.2 The Tribunal shall determine the admissibility of any evidence adduced and of its probative value.

### 8.2 **Access**

The hearings of the Municipal Bid Appeals Tribunal are open to the public unless otherwise determined by the Chairperson.

### 8.3 **Witnesses**

If the Tribunal requests a witness to give evidence at the hearing, the Chairperson may request the Municipal Manager to procure the presence of that witness at the hearing.

### 8.4 **Interpreter**

A party requiring the services of an interpreter must notify the Secretariat at least three days prior to the date for which the matter has been set down.

### 8.5 **Record of hearing**

The Secretariat must compile a record of the proceedings in respect of any matter that has come before the Tribunal, comprising of:

8.5.1 the application documents.

8.5.2 notices;

8.5.3 the Chairperson's record of pre-hearing procedures;

- 8.5.4 all documentary evidence;
- 8.5.5 the transcript, if any, of the oral evidence given at the hearing; and
- 8.5.6 a written record of the Tribunal's final decision with reasons.

## 8.6 **Non-appearance**

If a party to an appeal fails to attend any hearing, and that party is –

8.6.1 the appellant, the Tribunal may dismiss the matter by issuing a written ruling; or

8.6.2 is not the appellant, the Tribunal may –

8.6.2.1 continue with the proceedings in the absence of that party; or

8.6.2.2 adjourn the hearing to a later date

8.6.3 The Tribunal must be satisfied that the party had been properly notified of the date, time and venue of the proceedings, before making any decision in terms of this rule.

8.6.4 If a matter is dismissed, the Secretariat must send a copy of the ruling to the parties.

## 8.7 **Hearing procedure**

Subject to any directive issued by the Chairperson of the Tribunal, a hearing shall be conducted as follows:

### 8.7.1 **Commencement**

The Chairperson shall –

8.7.1.1 introduce the members of the Tribunal;

8.7.1.2 request any other parties present to introduce themselves;

8.7.1.3 explain the procedure of the hearing; and

8.7.1.4 provide a brief introduction to the subject matter of the appeal.

**8.7.2 The Municipality's case**

The Municipality shall –

8.7.2.1 explain the background to the bid;

8.7.2.2 provide reasons for the appointment of the successful bidder and for the failure to appoint the appellant; and

8.7.2.3 deal with the appellant's representations and any pertinent points that may have been made by any of the interested persons.

**8.7.3 Questioning of the Municipality's representative**

The other parties shall be given an opportunity to ask questions of the Municipality, in the following order:

8.7.3.1 the appellant;

8.7.3.2 any interested party affected by the appeal.

**8.7.4 The appellant's case**

The appellant shall have an opportunity to present its case, setting out its grounds for the appeal.

**8.7.5 Questioning of the appellant**

The other parties shall then be given an opportunity to ask questions of the appellant, in the following order:

8.7.5.1 the Municipality

8.7.5.2 any interested party affected by the appeal..

**8.7.6 The case of interested parties affected by the appeal**

Interested parties affected by the appeal shall then have an opportunity to each present their case.

**8.7.7 Questioning of interested parties affected by the appeal**

The other parties shall then be given an opportunity to ask questions of the interested parties affected by the appeal, in the following order:

- 8.7.7.1 the appellant;
- 8.7.7.2 the Municipality.

**8.7.8 Closing statements**

Each party shall then have an opportunity to present a brief closing statement, in the following order:

- 8.7.8.1 the appellant;
- 8.7.8.2 the Municipality;
- 8.7.8.3 interested parties affected by the appeal.

**8.8 Powers of the Municipal Bid Appeals Tribunal**

**8.8.1 The Tribunal –**

8.8.1.1 must hear and finalise an appeal within five days of the date of the hearing;

8.8.1.2 must make a final binding decision to confirm, vary or set aside the decision of the Bid Adjudication Committee or the Municipal Manager;

8.8.2 If the award is varied or set aside, the Tribunal must make any order it considers appropriate regarding the manner in which the matter is to be resolved.

**8.8.3 The Tribunal may make a default order –**

8.8.3.1 after it has considered or heard any necessary evidence; and

8.8.3.2 if it is satisfied that the notice of set down was adequately served.

**9. CHAPTER 9: GENERAL RULES**

**9.1 Delivery of documents**

9.1.1 Where a document is required to be delivered to the Secretariat, it may be delivered –

- 9.1.1.1 at the Secretariat's physical address;
- 9.1.1.2 by registered mail to the Secretariat;
- 9.1.1.3 by fax; or
- 9.1.1.4 by e-mail

9.1.2 Documents sent by fax or e-mail must include all of the following information on a cover page or cover message:

- 9.1.2.1 the name, address and telephone number of the sender;
- 9.1.2.2 the date and time of transmission;
- 9.1.2.3 the total number of pages sent;
- 9.1.2.4 the name and telephone number of the person to contact if transmission is flawed; and
- 9.1.2.5 the manner in which, and the person to whom, an acknowledgement of receipt should be sent.

## 9.2 Confidentiality

If a party alleges that any document or information required to be delivered to the Secretariat is confidential, the Chairperson of the Tribunal shall determine the matter and deal with an request in any manner that he/she deems fit.

## 9.3 Representation of parties

- 9.3.1 A party to a matter may act in person or appoint a representative.
- 9.3.2 A person appointed as representative must notify the Secretariat and provide it with the following particulars:
  - 9.3.2.1 name;
  - 9.3.2.2 postal address and address for the service of documents;
  - 9.3.2.3 telephone and fax numbers;
  - 9.3.2.4 e-mail address;
  - 9.3.2.5 the unique reference number of the matter; and
  - 9.3.2.6 name of the person represented.
- 9.3.3 A party who terminates a representative's authority to act in a matter must notify the Secretariat in writing, and must provide details where the person may be contacted, both telephonically and for the purpose of serving documents.
- 9.3.4 A party does not need to be represented by a legal representative before the Tribunal.



**9.4 Powers of the Chairperson to deviate from certain rules**

9.4.1 The Chairperson may on good cause shown, and in keeping with the requirements of justice and expediency:

9.4.1.1 direct that any prescribed time period may be shortened or extended:

9.4.1.2 give directions on the manner, form, and medium in which evidence is to be led.

**9.5 Expert witnesses**

9.5.1 A municipal Bid Appeals Tribunal may appoint such experts or other persons as service providers as it may deem necessary with a view to assisting it in the exercise and performance of its powers, duties and functions.

9.5.2 The terms, conditions and fees applicable to any expert or person appointed under Rule 9.5.1 and the work to be performed or services to be rendered must be determined by the Provincial Treasury, and be contained in a written agreement entered into for that purpose between the Provincial Treasury and the expert or person concerned.

9.5.3 The experts or other persons appointed under Rule 9.5.1 may not vote on any decision taken by the Municipal Bid Appeals Tribunal.

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## APPENDIX B: CODE OF CONDUCT FOR SCM PRACTITIONERS

### CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

***In accordance with regulation 46(4) and 46(5) of the Local Government Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations, the supply chain management policy of a municipality or municipal entity is required take into account the National Treasury's code of conduct for supply chain management practitioners and other role players. Alternatively a municipality or municipal entity may adopt the National Treasury code of conduct. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity.***

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner

#### ***General Principles***

The municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

## Conflict of interest

An official or other role player involved with supply chain management –

- (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) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, 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 declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) should not take improper advantage of their previous office after leaving their official position.

## Accountability

Practitioners are accountable for their decisions and actions to the public.

Practitioners should use public property scrupulously.

Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.

All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

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

Practitioners 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 the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
- (iii) any alleged breach of this code of conduct.

Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

#### *Openness*

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

#### *Confidentiality*

Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractor's personal rights.

Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

#### ***Bid Specification / Evaluation / Adjudication Committees***

- 6.1 Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- 6.2. Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- 6.3 All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- 6.4 No person should-
  - 6.4.1 interfere with the supply chain management system of the municipality; or
  - 6.4.2 amend or tamper with any price quotation / bid after its submission.

**5 Combative Practices**

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- (i) Suggestions to fictitious lower quotations;
- (ii) Reference to non-existent competition;
- (iii) Exploiting errors in price quotations / bids;
- (iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

**Acknowledgement**

I, \_\_\_\_\_ **Employee No.** \_\_\_\_\_

Appointed as a **SCM Official/SCM Role player** hereby acknowledge receipt of this memorandum. I confirm that I have read the code of conduct. I accept conditions as contained in this memorandum and attachments.

[A copy of this memorandum with original signature shall be forwarded to the office of the Chief Financial Officer.]

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**ANNEXTURE**

**APPENDIX C: STANDARD OPERATION PROCEDURES FOR SCM PRACTITIONERS**



# **ABAQULUSI LOCAL MUNICIPALITY**


## **SUPPLY CHAIN MANAGEMENT**

### **STANDARD OPERATING PROCEDURES**

#### **(FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS)**

*The Standard Operating Procedures for Supply Chain Management Practitioners should be read with the objective of ensuring that uniform procedures and processes are implemented at all KwaZulu – Natal Municipalities*

*This document must be read together with relevant SCM Legislation, Practice Notes, MFMA Circulars and AbaQulusi Local Municipality's SCM Policy and SCM Delegations.*



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**ABBREVIATIONS**

<b>"AO"</b>	Accounting Officer
<b>"BAC"</b>	Bid Adjudication Committee
<b>"BBBEE"</b>	Broad-Based Black Economic Empowerment
<b>"BBBEEA"</b>	Broad-Based Black Economic Empowerment Act
<b>"BEC"</b>	Bid Evaluation Committee
<b>"BSC"</b>	Bid Specification Committee
<b>"CFO"</b>	Chief Financial Officer
<b>"CIPC"</b>	Companies and Intellectual Property Commission
<b>"HDI"</b>	Historically Disadvantaged Individuals
<b>"KZN"</b>	KwaZulu-Natal
<b>"MBD"</b>	Municipal Bid Documents
<b>"MFMA"</b>	Municipal Finance Management Act, 2003 (Act 56 of 2003)
<b>"PPPFA"</b>	Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
<b>"SCM"</b>	Supply Chain Management
<b>"SCMU"</b>	Supply Chain Management Unit

## **PART 1: INTRODUCTION**

Both National and Provincial Treasury have developed legislative frameworks to address Supply Chain Management processes within Government structures in South Africa. Resultantly, the **Abaqulusi Local Municipality** has developed a specific Policy and this Standard Operating Procedure Manual to assist SCM Practitioners in complying with the Municipal SCM Policy. The policy and procedure manuals are designed to ensure optimal service delivery and achievement of National, Provincial and Local Government objectives with regard to Supply Chain Management.

### **1.1 PURPOSE OF THIS MANUAL**

This Standard Operating Procedure manual is intended to be a guide for Supply Chain Management Practitioners to:

- ✓ ensure compliance with the Municipal Supply Chain Management Policy; and
- ✓ Ensure efficiency, effectiveness and uniformity in the procurement of goods, services and works, required for the proper functioning of **AbaQulusi Local Municipality**, whilst developing, supporting and promoting broad based black economic empowerment goals.

The Standard Operating Procedures should be used by Supply Chain Management Practitioners in their day-to-day operations. This manual is structured around nine (9) elements namely: -

***Part 1: Introduction;***

***Part 2: Demand Management;***

***Part 3: Acquisitions Management;***

***Part 4: Logistics Management;***

***Part 5: Disposals Management;***

***Part 6: Performance Reporting;***

***Part 7: Risk Management;***

***Part 8: Contract Management; and***

***Part 9: Deviations and Exemptions.***

These Standard Operating Procedures will be amended when National and Provincial Treasury issue amendments to the Regulations and Practice Notes. These Standard Operating Procedures will be implemented with effect from the date of approval.

**Abaqulusi Local Municipality**

**1.2 COUNCIL APPROVAL**

<b>TITLE</b>	Supply Chain Management Standard Operating Procedures for Supply Chain Management Practitioners
<b>VERSION</b>	Version 1. 0
<b>COMPILED BY</b>	Supply Chain Management Unit
<b>EFFECTIVE DATE</b>	
<b>SUMMARY</b>	This document is the Supply Chain Management Standard Operating Procedures for SCM Practitioners applicable to <b>Abaqulusi Local Municipality</b>

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>	<b>DATE</b>
	Councillor		
	Councillor		
	Councillor		
	Councillor		
	Councillor		
	Councillor		
	Executive Mayor		
	Municipal Manager		
	Chief Financial Officer		
	Manager: Supply Chain Management		

**1.3 ELEMENTS OF SUPPLY CHAIN MANAGEMENT**

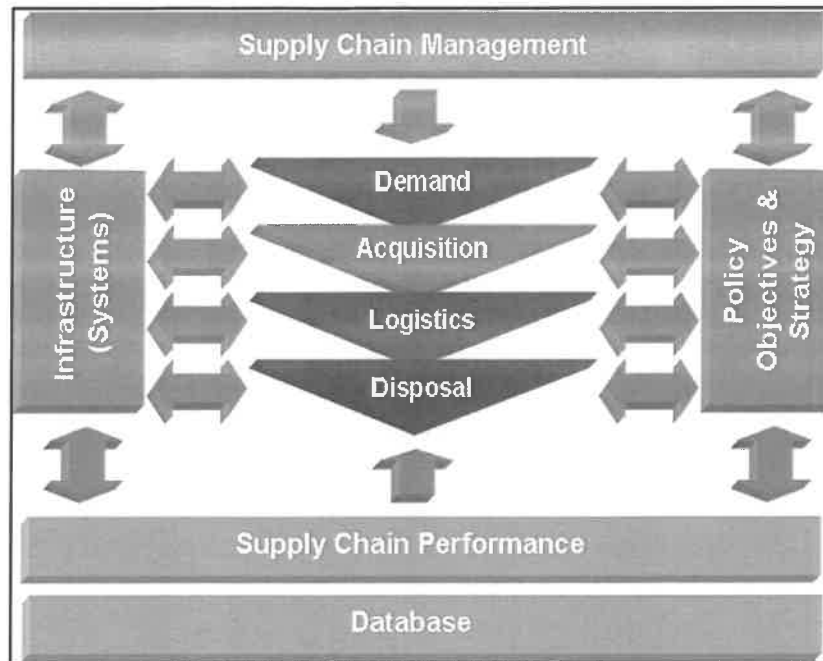


Figure 1: Supply Chain Management Model

### 1.3.1 Demand Management

Demand Management is the first phase of Supply Chain Management. It is the action of assessing 'what' good and/or service is needed, and then 'planning' when and how that good and/or service will be acquired.

Demand Management starts with the assessment of, and accepts input from:

- ✓ The Integrated Development Plan;
- ✓ Service Delivery Budget Implementation Plan;
- ✓ Approved Budget; and
- ✓ Existing Contract Register.

### 1.3.2 Acquisitions Management

The word 'acquire' means to obtain or attain something which, in the Government context, may be a good, works and/or service that is required to fulfil a need. Acquisitions Management thus refers to the management of the entire process of acquiring that particular good, works and/or service which satisfies the need. This process covers the acquiring of the good, works and/or service by implementing the sourcing strategy determined by Demand Management and the administration thereof.

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The primary objective of Acquisitions Management is to fulfil the demand determined by the Demand Management phase of Supply Chain Management. The Acquisitions management is thus driven by the Municipality's Procurement Plan and refers to a process of establishing: *what will be acquired, when, how and from where it will be acquired, how much is required and at what price, as well as contracting with the vendor*. The desired outcome is a well-managed process of acquisition that results in the satisfaction of the need that arose.

### 1.3.3 Logistics Management

Logistics Management is the third element of Supply Chain Management and deals with the ordering and provisioning of goods, works and/or services within **AbaQulusi Local Municipality**. It is the process of determining when goods, works and/or services are procured, received, stored and distributed. Typically this involves the processes of ordering, receiving, payment, provisioning and managing inventory.

### 1.3.4 Disposal Management

Disposal is the final process when the institution needs to do away with unserviceable, redundant or obsolete movable assets. The Accounting Officer appoints a specific committee to deal with disposals, to make recommendations with regard to the disposal of any inventory item. It is the responsibility of the Accounting Officer or his/ her delegate to consider the recommendation of the appointed committee.

### 1.3.5 Supply Chain Management Monthly Reporting

Monitoring and Reporting represents a key component of the Supply Chain Management framework. It interacts with each of the main functional areas represented in the framework and provides an overall look at the performance of the Municipality's Supply Chain Management. The Municipal Finance Management Act, Act No. 56 of 2003, and the Supply Chain Management Regulations, Practice Notes, Instruction Notes and Circulars; specify a number of reporting requirements that are required by National Treasury and Provincial Treasury.

## PART 2: DEMAND MANAGEMENT

This is the first element of Supply Chain Management where:

- ✓ A proper needs assessment is undertaken of required goods, works and/or services;
- ✓ An analysis is conducted of historical spend against goods and services and suppliers;
- ✓ Market Research is conducted to identify the availability of potential suppliers, new and innovative products in the market and also to ascertain the estimated costs of goods and services required;
- ✓ Specifications are determined;

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- ✓ The sourcing strategy is determined; and
- ✓ Requirements are linked to the budget.

This phase enables the Supply Chain Management Practitioner to work closely with the End Users to ensure that value for money is achieved.

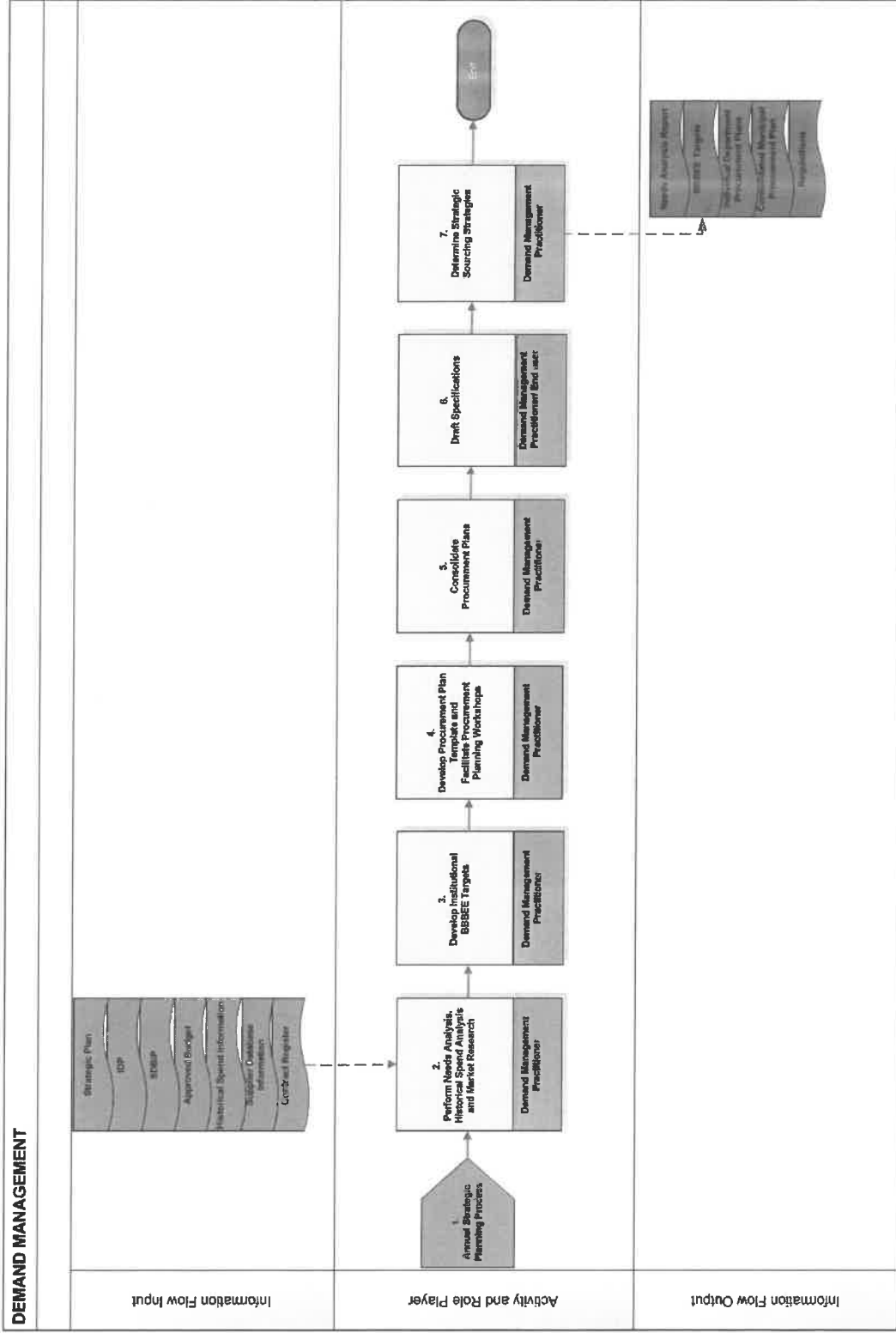


Figure 2: Demand Management Process Flow

## Abaqulusi Local Municipality

### 2.1 PRE-PROCUREMENT ACTIVITIES

- 2.1.1 Prior to the beginning of the new financial year, the Demand Management unit must draft a circular, notifying all End Users/ Heads of Departments of the preparation of procurement plans.
- 2.1.2 The Demand Management Unit must collect the following input documentation to enable the Unit to compile the necessary information for utilisation by End Users in preparing their Procurement Plans:
- ✓ Integrated Development Plan (IDP);
  - ✓ Service Delivery Budget Implementation Plan (SDBIP);
  - ✓ Operational Plans;
  - ✓ Budget;
  - ✓ Spend Analysis Reports;
  - ✓ Contract Register; and
  - ✓ Commitments and Accruals.
- 2.1.3 The Demand Management Unit must develop a Procurement Plan Template following the formats of the National Treasury and Provincial Treasury templates and obtain approval for the template from the Manager: SCMU, the CFO and the Accounting Officer.
- 2.1.4 Demand Management will distribute and workshop the template with individual Departments and provide training on how to compile their procurement plans.

### 2.2 NEEDS ANALYSIS

- 2.2.1 The Demand Management Practitioner will use the information from the Integrated Development Plan, Service Delivery Budget Implementation Plans, Operational Plans and the Municipality's budget to estimate the type, quality, quantity and specifications of the goods and services that will be needed to achieve the targets identified by **AbaQulusi Local Municipality** and produce a Needs Analysis Report.
- 2.2.2 The Demand Management Practitioner will also use historical information from the prior financial period to confirm the needs analysis for goods and services required in the current period.

### 2.3 HISTORICAL SPEND ANALYSIS



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- 2.3.1 The Demand Management Practitioner will obtain all the budget and expenditure information for goods and services procured in the prior financial period and conduct an analysis on the manner of spend on such goods and services.
- 2.3.2 The following steps will be followed when conducting the spend analysis:
- ✓ Obtain the schedule of goods and services acquired in the past financial year;
  - ✓ Obtain the approved budget for the same period;
  - ✓ Obtain the expenditure reports, stores catalogues and monthly spend analysis reports on goods and services procured ;
  - ✓ Analyse the information obtained and prepare a schedule of total spending against each good/service item per vote.

### 2.4 MARKET RESEARCH

- 2.4.1 The Demand Management Practitioner will undertake market research to identify the availability of the goods and services required and potential suppliers of the goods and services required.
- 2.4.2 The Demand Management Practitioner will also conduct a market analysis to estimate the financial implications of acquiring these goods and/or services.
- 2.4.3 Information on the availability of suppliers can also be obtained by analysing the information on the Municipality's Supplier Database.
- 2.4.4 No guarantees or commitments must be made to any supplier/service provider that such goods/services will be procured from them since all acquisitions will follow prescribed supply chain management procedures.
- 2.4.5 The Demand Management Practitioner will identify a list of items required by **AbaQulusi Local Municipality** that are not available from existing suppliers on the Database and facilitate registration of suppliers for these requirements.

### 2.5 DEVELOP INSTITUTIONAL BBBEE TARGETS

- 2.5.1 The Demand Management Practitioner will:

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- ✓ Obtain and analyse BBBEE scorecards per industrial sector;
- ✓ Obtain National and Provincial BBBEE targets; and
- ✓ Conduct any further research that may be necessary.

2.5.2 The Demand Management Practitioner will define targets for BBBEE categories using the following as guidance:

- ✓ HDI ownership (black owned companies);
- ✓ Small Medium and Micro Enterprises (SMME);
- ✓ Local and Regional Suppliers; and
- ✓ Cooperatives, Females, Youth and Disabled.

2.5.3 Submit the BBBEE targets to the Manager: SCMU, CFO and Accounting Officer for confirmation.

2.5.4 The targets must then be tabled with Council for final approval.

## **2.6 COLLECTION AND CONSOLIDATION OF PROCUREMENT PLANS**

2.6.1 The Demand Management Practitioner will contact all Executive Directors and obtain their approved procurement plans.

2.6.2 A procurement plan register must be compiled to keep track of procurement plans received.

2.6.3 The Demand Management Practitioner should ensure to follow up on outstanding procurement plans.

2.6.4 Demand Management must check all procurement plans for completeness and accuracy.

2.6.5 Procurement plans must then be consolidated and submitted to the Manager: Supply Chain Management Unit for review and submission to the Chief Financial Officer.

2.6.6 The Chief Financial Officer will table the Procurement Plans at a Senior Management meeting and once approved, the Accounting Officer will sign off the consolidated procurement plan.

2.6.7 The approved consolidated procurement plan is then submitted to KZN Provincial Treasury and National Treasury and printed copies of the procurement plans are submitted to the respective departments.

**2.7 AMENDMENTS TO PROCUREMENT PLANS**

In cases where the End-User identifies a need not planned and/or budgeted for in the procurement plan, a motivation for the need must be drafted by the End-User and approved by the Accounting Officer in terms of the Delegations Framework. Upon approval of the motivation, the procurement plan must be amended and submitted to the Demand Management Unit. The Demand Management Practitioner must ensure that all amendments to the approved Procurement Plans have been approved by the Accounting Officer.

**2.8 RECEIPT OF REQUISITIONS FROM END-USERS**

2.8.1 When Requisitions are received from End Users, the Demand Management Practitioner must check the requisition for completeness and ensure that specifications are clear and unbiased and that the requisition is provided for in the specific department's procurement plan.

2.8.2 The Demand Management Practitioner receiving requisitions must record the requisition in the Requisitions Register and open a Case File for each requisition.

2.8.3 The Case File is sent to the End User for budget authorisation. The End User must confirm the budget and return the case file to the Demand Management Practitioner within 24 hours.

**2.9. SUPPLIER DATABASE ADMINISTRATION**

The Supply Chain Management Demand Management Unit is responsible for the compilation of a database of prospective suppliers/service providers to be used for procurement requirements. The main aim of the Supplier Database is to ensure that all prospective suppliers/ service providers of goods and/or services are afforded a "fair, transparent, equitable and competitive" process of invitation and quoting for goods and/or services.

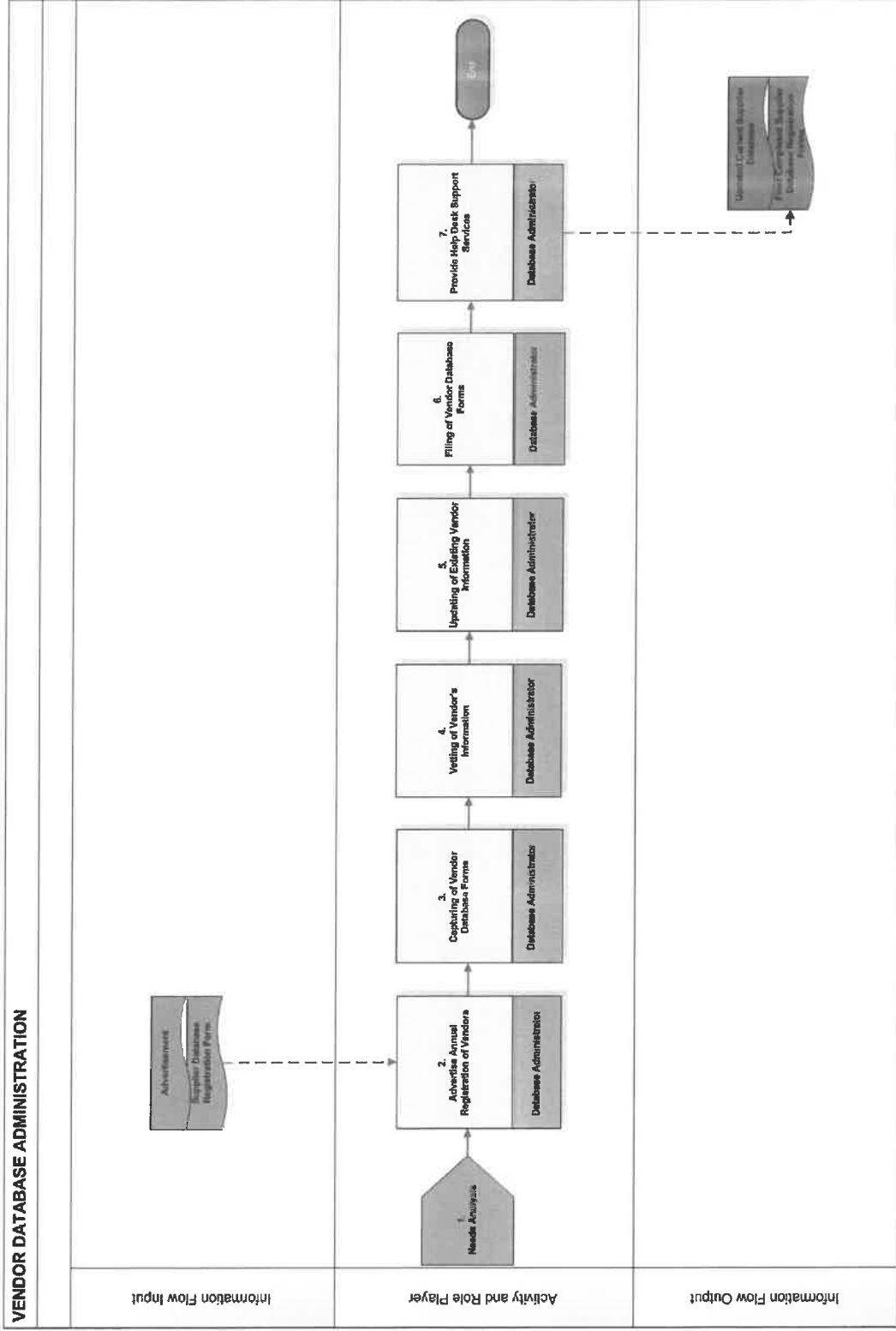


Figure 3: Vendor Database Administration Process Flow

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### 2.9.1 The Database Administrator in the Demand Management Unit must:

- ✓ Identify the goods and services that will be required for the financial year.
- ✓ Develop an advert indicating the expected goods and services that the Municipality will require during the financial year.
- ✓ Advertise the expected requirements in the Government Gazette and identified media, inviting prospective suppliers to register on the Municipality's Supplier Database and also provide details where registration documents can be collected.
- ✓ A Supplier Database Registration Form must be made available to the public and guidance on completing the form must be provided to all prospective suppliers/ service providers wanting to register on the Vendor Database.
- ✓ End Users may encourage suppliers/ service providers to register on the Vendor Database.

2.9.2 Completed Database Registration Forms must be captured onto the Supplier Database by the Database Administrator.

2.9.3 All Suppliers captured on the Supplier Database must be vetted by the Database Administrator by obtaining the cooperation of the CIPC, South African Police Services (SAPS) and the State Security Agency.

2.9.4 Database Registration Forms that have been captured onto the Supplier Database must be securely and safely filed by the Database Administrator for future reference and audit purposes.

2.9.5 The Database Administrator must provide continuous assistance to Suppliers and End Users in updating information on the Supplier Database.

## **PART 3: ACQUISITIONS MANAGEMENT**

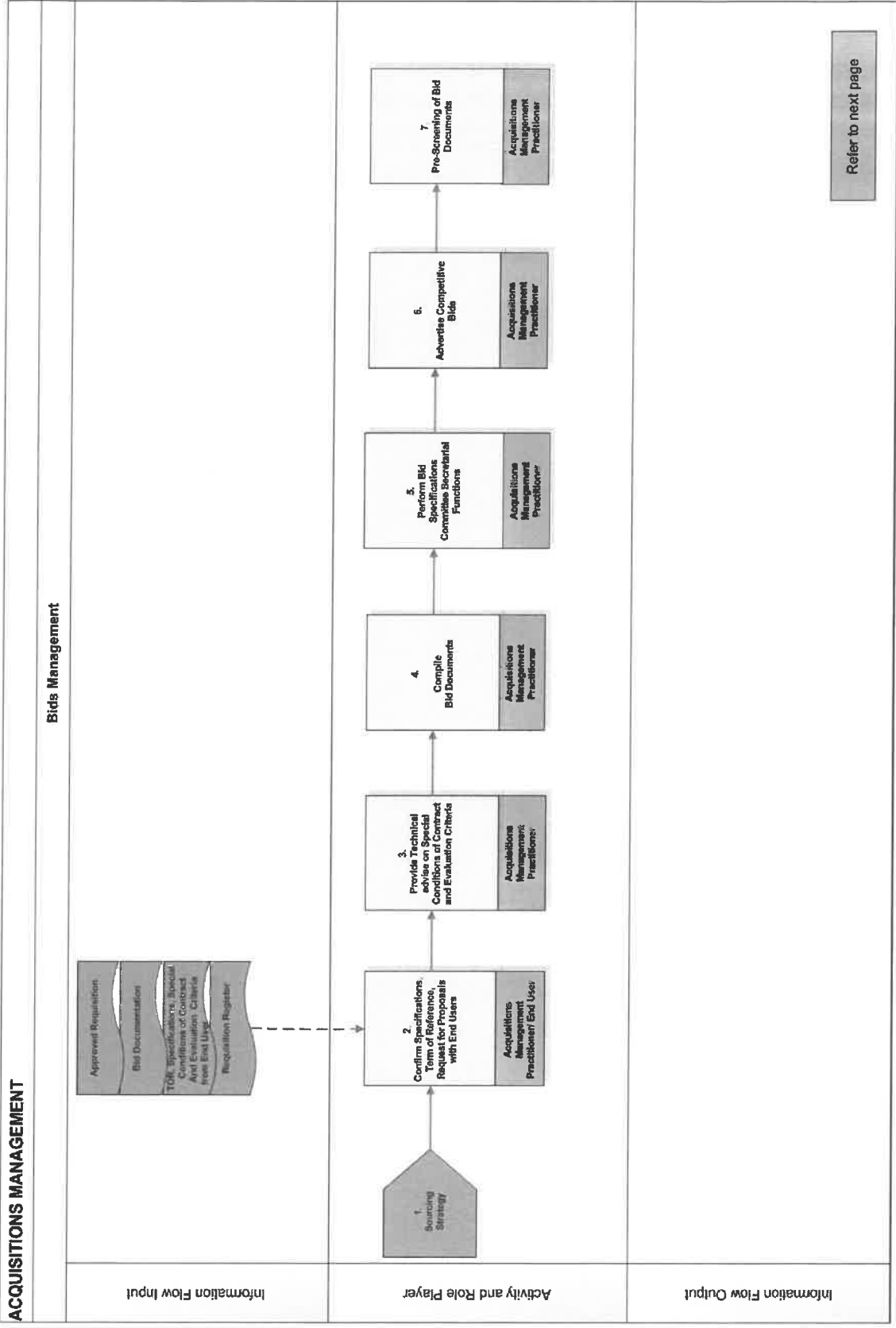
Acquisitions Management is triggered by the sourcing strategy determined by Demand Management for a requisition that arose because of either a planned need or due to an urgent or emergency need. This need arose from the End User within a component who translates that need into an approved requisition or specification which can be sourced. The request will be forwarded to the Acquisitions Management Section which is responsible for determining a source of supply for the request and acquiring the good and/or service via the appropriate source, i.e. implementing the sourcing strategy. As part of Acquisitions Management, all possible methods of obtaining the requirements should be investigated.

### **3.1 BIDS MANAGEMENT**

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The process is triggered by the **purchase requisition** (i.e. Request for Goods) received from the End-User and the sourcing strategy identified for the goods/services required. The requisition must include an estimation of the rand value of the goods/services to be procured. Should the estimated value be in excess of R200 000.00, then the Bids Management procedures must be followed.



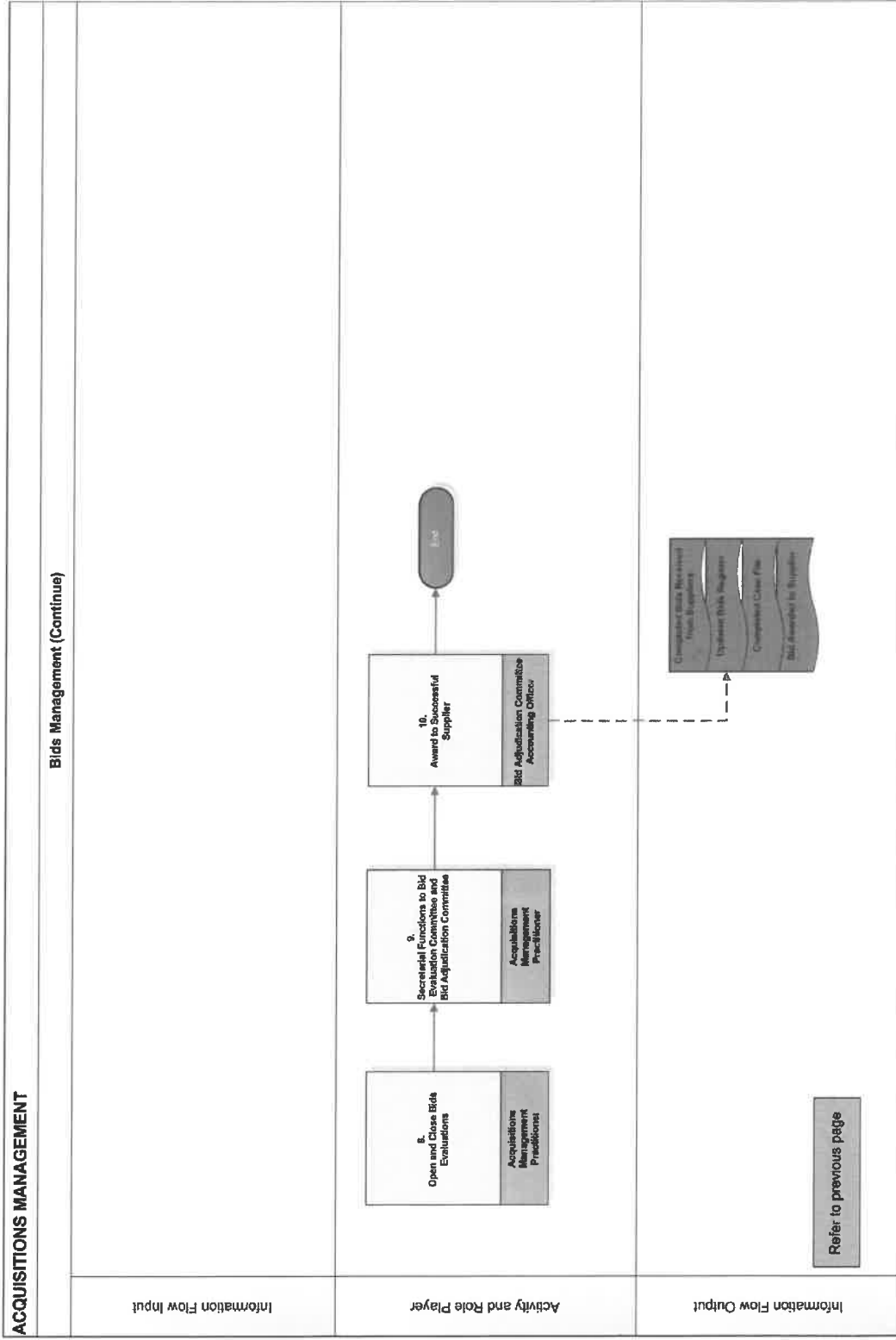


Figure 4: Bid Management Process Flow



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- 3.1.1 The End User identifies the need to procure goods and services in accordance with the approved procurement plan and submits the requisition to Demand Management.
- 3.1.2 Demand Management processes the requisition and thereafter submits the requisition for the goods/services required to the Acquisitions Management Unit with an estimation of the rand value of the procurement. The Acquisitions Management Practitioner will record the Requisition in the Requisition Register.
- 3.1.3 Where the estimated value of the goods/services to be procured exceeds R200 000.00, a bidding process must be followed.
- 3.1.4 The End User prepares the Terms of Reference, Specifications, the Special Conditions of Contract and evaluation criteria and submits these to the Acquisitions Management Section.
- 3.1.5 The Acquisitions Management Practitioner confirms the Terms of Reference, the Specifications, Special Conditions of Contract and evaluation criteria with the End User.
- 3.1.6 The Acquisitions Management Practitioner compiles bid document using the Municipal Bidding Documentation (MBD) in consultation with the End-User:

<b>MBD Description</b>	<b>Document Number</b>
✓ Invitation to Bid	MBD 1
✓ Application for Tax Clearance Certificate	MBD 2
✓ Pricing Schedules	MBD 3.1 to 3.3
✓ Declaration of Interest	MBD 4
✓ National Industrial Participation Programme	MBD 5
✓ Preference claims in terms of the Preferential Procurement Regulations, 2011	MBD 6.1 to 6.2
✓ Formal contract	MBD 7.1 to 7.3

- 3.1.7 The Acquisitions Management Practitioner then schedules a Bid Specification Committee (BSC) meeting and submits the completed bid documentation to the BSC for consideration.
- 3.1.8 The Acquisitions Management Practitioner (i.e. Procurement Officer: BID Administration) will perform the secretarial duties and render the necessary support to the BSC.

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- 3.1.9 The BSC must confirm the correctness and completeness of the bid documentation, confirm the standard of the goods/services required are of the prescribed quality and also confirm that the evaluation criteria are appropriate in terms of the new PPPFA Regulations; 2017 and B-BBEE Act.
- 3.1.10 After the BSC approves the bid documentation, these are forwarded to the BAC (Accounting Officer) for approval.
- 3.1.11 After approval by the BAC, the Acquisitions Management Practitioner:-
- ✓ completes the details of the bid in the Bid Closing Register ;
  - ✓ issues a unique bid number;
  - ✓ records the dates for the advert and closure of the bid; and
  - ✓ Obtains approval from the Municipal Manager for the advert.
- 3.1.12 The bid is then advertised in the **Government Gazette, municipal website and identified local media** inviting offers from the public for the goods/services required for at least fourteen (14) days, with a specific closing date identified.
- 3.1.13 Full details must be provided on the manner in which the bidders' responses must be delivered to **AbaQulusi Local Municipality** and of any compulsory briefing sessions that will be held. The Bid Secretariat will undertake the following in respect of Briefing Sessions:-
- ✓ makes the necessary logistical arrangements (venue, date and time);
  - ✓ prints copies of the bid documentation;
  - ✓ conducts the briefing session, together with the end user;
  - ✓ issues bid documents to attendees. These should be date stamped with the Municipality's rubber stamp impression; and
  - ✓ take minutes of the discussions.
- 3.1.14 During the period from advertising the bid and closing of the bid to receiving bids, the Acquisitions Management Practitioner shall ensure that all bids received are properly secured and that no person has access to the bidders' submissions prior to these being officially opened, in the presence of the required persons, at closing time and recorded.
- 3.1.15 A properly guarded and secured locked bid box must be used for this purpose.
- 3.1.16 At the specified closing time, the closing procedures must be observed and the bid box must be opened by the Acquisitions Management Practitioner, in the presence of the SCM Manager and an independent witness. Bidders wishing to observe the closing of bids may also be present.

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### **3.1.17 No further bids will be accepted after closing time.**

3.1.18 The Acquisitions Management Practitioner must complete the bidders' details and prices received in the Bid Register in the presence of all attending the closing of the bid. The Acquisitions Management Practitioner and independent witness must sign the Register to confirm accuracy.

3.1.19 The Acquisitions Management Practitioner must also check the following:

- ✓ Standard municipal bid documents have been used and signed as prescribed;
- ✓ A valid tax clearance certificate has been submitted;
- ✓ Supplier database registration details are valid and correct; and
- ✓ The necessary securities have been furnished.

3.1.20 The Acquisitions Management Practitioner then submits the bids received to the Bid Evaluation Committee for evaluation.

3.1.21 The secretarial services as well as the required technical support is provided by the Supply Chain Management Unit to the Bid Evaluation Committee, which shall include the following:

(i) Score-sheets for Functionality evaluation

- ✓ The Acquisitions Management Practitioner must prepare score sheets for BEC members to evaluate the bids.
- ✓ The score sheet must contain all the criteria and the weight for each criterion as well as the values to be applied for evaluation as embodied in the bid documents.
- ✓ The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids is not allowed as this may jeopardise the fairness of the process.
- ✓ Each panel member should, after thorough evaluation, independently award his /her own value to each individual criterion.
- ✓ The applicable values that will be utilised when scoring each criterion should be objective. As a guide, values ranging from 1 being poor, 2 being average, 3 being good, 4 being very good and 5 being excellent, may be utilised.
- ✓ Score sheets must be signed by panel members and if necessary, written motivation may be requested from panel members where vast discrepancies in the values awarded for each criterion exist.
- ✓ The percentage of each panel member must be added and divided by the number of panel members to establish the average percentage obtained by each bidder for functionality.
- ✓ If the minimum qualifying score for functionality is indicated as a percentage in the bid documents, the percentage scored for functionality may be calculated as follows:
  - The value awarded for each criterion should be multiplied by the weight for the relevant

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criterion to obtain the score for the various criteria;

- The scores for each criterion should be added to obtain the total score; and
- The following formula should be used to convert the total score to percentage for functionality:

$$Ps = \frac{So}{Ms} \times 100$$

Ps = percentage scored for functionality by bid under consideration

So = total score of bid under consideration

Ms = maximum possible score

### (ii) Score-sheets for evaluating Points for Price

- ✓ The SCM Acquisitions Management Practitioner must prepare the score-sheets indicating the points that each bidder scored, for review and consideration by the Bid Evaluation Committee.
- ✓ The PPPFA prescribes that the lowest acceptable bid will score 80 points for price for procurement up to a Rand value of R1 million or 90 points for price for procurement exceeding R1 million.
- ✓ Bidders that quoted higher prices will score lower points for price on a pro-rata basis.
- ✓ The formulae to be utilised in calculating points scored for price are as follows:
  - 80/20 Preference point system (for acquisition of services, works or goods up to a Rand value of R1million, all applicable taxes included);

$$Ps = 80 \left( 1 - \frac{Pt - P_{min}}{P_{min}} \right)$$

Where

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

Pt = Comparative price of bid or offer under consideration.

Pmin = Comparative price of lowest acceptable bid or offer.

- 90/10 Preference point system (for acquisition of services, works and/or goods with a Rand value above R1million, all applicable taxes included).

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

Where

$P_s$  = Points scored for comparative price of bid or offer under consideration.

$P_t$  = Comparative price of bid or offer under consideration.

$P_{min}$  = Comparative price of lowest acceptable bid or offer.

- ✓ Points scored must be rounded off to the nearest 2 decimal places.
- ✓ Note that unconditional discounts must be taken into account for evaluation purposes.

**(iii) Score-sheet for the Calculation of Preference Points**

- ✓ Score sheets for the calculation and scoring of Preference Points must be prepared by the Acquisitions Management Practitioner for the Bid Evaluation Committee members. A preliminary score for each bidder can be calculated by the Acquisition Management Practitioner for review and consideration by the BEC.
- ✓ Points must be awarded to a bidder for attaining the B-BBEE status level of contribution in accordance with the table below:

<b>B-BBEE Status Level of Contributor</b>	<b>Number of Points (90/10 System)</b>	<b>Number of Points (80/20 System)</b>
<b>1</b>	<b>10</b>	<b>20</b>
<b>2</b>	<b>9</b>	<b>18</b>
<b>3</b>	<b>8</b>	<b>14</b>
<b>4</b>	<b>5</b>	<b>12</b>
<b>5</b>	<b>4</b>	<b>8</b>
<b>6</b>	<b>3</b>	<b>6</b>
<b>7</b>	<b>2</b>	<b>4</b>
<b>8</b>	<b>1</b>	<b>2</b>
<b>Non - Contributor</b>	<b>0</b>	<b>0</b>

**Figure 5: B-BBEE Status Level of Contributor**

- ✓ A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score zero (0) out of a maximum of 10 or 20 points respectively for B-BBEE.

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(iv) Calculation of total points scored for price and B-BBEE status level of contribution

- ✓ The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.
- ✓ The Acquisition Management Practitioner must conduct a preliminary calculation of the points scored per bidder for review and consideration by the BEC.

(v) Provide administrative secretarial functions as follows:

- ✓ Complete and distribute the Invitation to Bid Committee Meeting
- ✓ Complete the agenda for the meeting;
- ✓ Complete the minutes of the meeting.

3.1.22 The Acquisitions Management Practitioner prepares the necessary reports on behalf of the BEC and BAC related to Goods & Services and/or Infrastructure procurement.

3.1.23 The BEC makes a recommendation to the BAC who then considers the recommendation and if satisfied, supports the recommendation to the Accounting Officer.

3.1.24 The Accounting Officer considers the processes followed, verifies the calculations, reviews the minutes of the meetings and the recommendations made and if satisfied, agrees with the recommendation of the BAC.

3.1.25 The intention to award the bid is advertised in the Government Gazette, selected news media and Municipality's website within 5 days by the SCM Unit. The advert must include the details of the independent, impartial person to whom any disputes, objections, complaints and queries must be lodged. The advert must also indicate that the prescribed period of 14 days for the lodging of such disputes, objections, complaints and queries.

3.1.26 The SCM Unit must check with the independent person if any appeals have been lodged or whether any unsuccessful bidder has requested reasons as to why they were unsuccessful.

3.1.27 An independent and impartial person, not directly involved in the supply chain management process, must be appointed by the Accounting Officer. The independent, impartial person must :

- ✓ advise the Accounting Officer, within 3 days, of any disputes, objections, complaints and queries lodged so that the award process can be suspended until the dispute, objection, complaint or query has been investigated;
- ✓ assist in resolving disputes between the Municipality and other persons regarding:
  - Any decisions or actions taken in the implementation of the supply chain management system;
  - Any matter arising from a contract awarded in the course of the supply chain management system; or

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- ✓ deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract;
- ✓ issue a formal report with recommendations to the Accounting Officer.

3.1.28 In the event of any dispute, objection, complaint or query being lodged directly with the Accounting Officer, the Accounting Officer is required to inform the independent, impartial person within 3 days of receiving such notification.

3.1.29 All bidders that tendered for the goods and/or services required must be informed of the lodging of the dispute, objection, complaint or query and must also be informed that the award of the bid will be further delayed until the process to attend to such dispute, objection, complaint or query has been finalised.

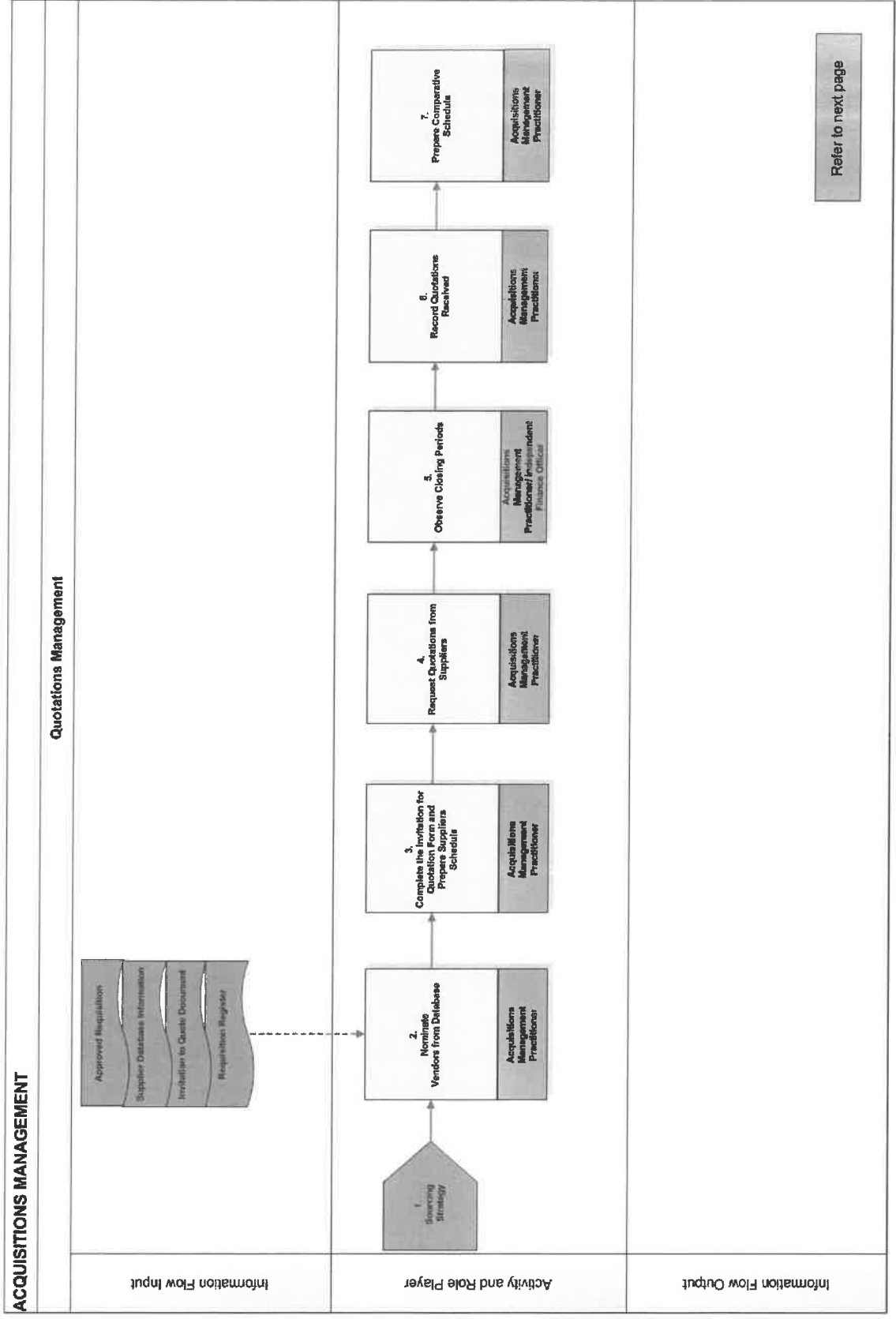
3.1.30 Once the independent, impartial person has completed the investigation, s/he must issue a formal report to the Accounting Officer. The Accounting Officer must consider the recommendations of the independent and impartial person and make a determination on the way forward. The way forward could be to award the bid, refer the bid back for re-evaluation and re-adjudication or even to cancel and re-advertise the bid. Should the Accounting Officer award the bid after the appeals processes have been followed, the successful bidder can be accordingly notified.

3.1.31 If no appeals are lodged:

- ✓ The SCM Unit will prepare a letter of award and forward it to the successful bidder. This letter should be signed by the Chief Financial Officer or the Accounting Officer.
- ✓ All the unsuccessful bidders should also be notified formally in writing by the Head of SCM Unit.

### **3.2 QUOTATIONS MANAGEMENT**

The process is triggered through the sourcing strategy identified by the Demand Management Unit for goods/services and/or works required. The requisition must include an estimation of the rand value of the goods/services and/or works to be procured. Should the estimated rand value not exceed R200 000.00, the Quotations Management procedures must be followed.







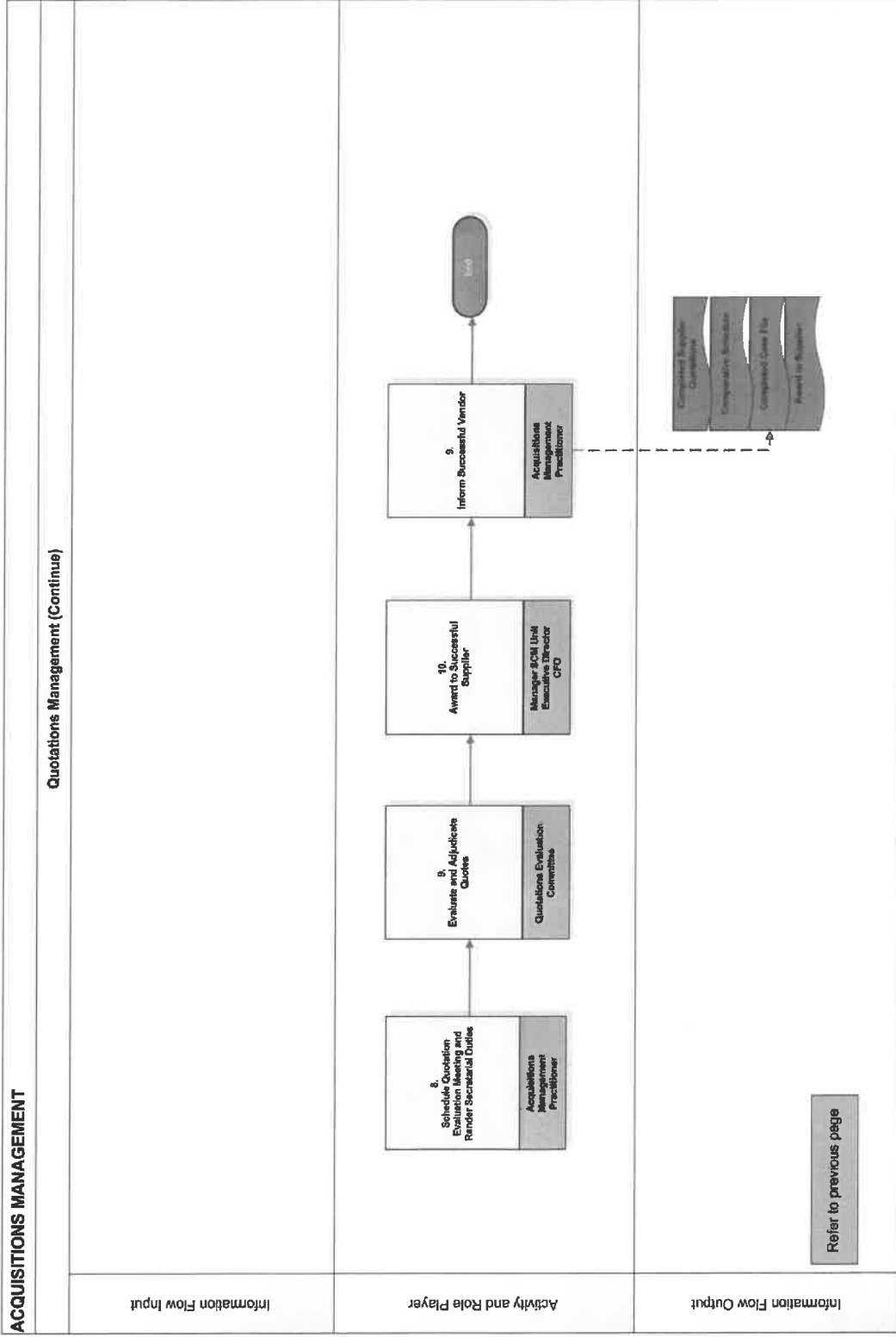


Figure 6: Quotations Management Process Flow

## Abaqulusi Local Municipality

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- 3.2.1 The Acquisitions Management Practitioner will receive the request from Demand Management and:
- ✓ Record the Requisition in the Requisition Register;
  - ✓ Confirm the specifications with the End User;
  - ✓ Verify that the planned procurement is included in the department's approved Procurement Plan;
  - ✓ In the case of urgent or emergency requests, confirm that an approved motivation exists;
  - ✓ Determine whether a valid contract exists for the particular good/service requested, and if a contract does exist, procure the goods/services through the particular contract;
  - ✓ In the event that a valid contract does not exist, consult the Central Suppliers Database to select as many suppliers as possible to whom the request for quotations will be sent, as follows:
    - Rotation of suppliers;
    - Target BBBEE suppliers;
    - Location of suppliers; and
    - Complete the Invitation to Quote i.e. RFQ's
  - ✓ Record the suppliers selected in a Suppliers Schedule and forward the schedule to the Manager: SCMU for approval.
- 3.2.2 Once the Suppliers Schedule has been approved, the Invitation to quote form must be forwarded to all selected suppliers. The following methods may be used:
- ✓ Secure facsimile facilities;
  - ✓ Email;
  - ✓ Collection by the supplier.
- 3.2.3 Ensure that the least amount of time elapses between the forwarding of the Invitation to Quote to each supplier.
- 3.2.4 In the case of procurement between **R30 001 and R200 000.00** , the Invitation to Quote must also be advertised on the municipality's website and municipal notice boards for a minimum of seven (7) days.
- 3.2.5 The Acquisitions Management Practitioner will also:
- ✓ Include the closing date and time for receiving of quotes in the information forwarded to every supplier;
  - ✓ Confirm the manner in which quotes will be submitted by suppliers;
  - ✓ Obtain confirmation that the supplier has received the Invitation to Quote (either a fax transmission report, confirmed sent email or an acknowledgement from the supplier);
  - ✓ In the event that quotes will be received via facsimile, ensure that the fax machine is dedicated for this purpose and kept in a locked room. No manipulation should be possible; and
  - ✓ In the event of receiving quotations via email, utilise a dedicated email address under the control of the Manager: SCMU and encourage suppliers forwarding quotes via email to convert documents to "PDF" format.

## Abaqulusi Local Municipality

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- 3.2.6 For quotes to be delivered, the locked "Quotation Box" must be utilised.
- 3.2.7 At the close of the allowed period, the **prescribed closing procedures** must be performed and the locked "Quotations Box" must be opened by the Acquisitions Management Practitioner (SCM Officer: Quotations & Bid Administration) in the presence of an independent Finance Official and the Manager: SCMU. No further quotations must be accepted after closing time.
- 3.2.8 The facility that houses the secure facsimile machine must be opened in the presence of the SCM Practitioner, the Finance Official and the Manager: SCMU and all quotations received added to the quotations received through the Quotation Box.
- 3.2.9 All quotations received, either by way of facsimile, email or through the Quotations Box, must be date stamped and signed by all members present at the opening.
- 3.2.10 For procurement between R30 001 and R200 000 :-**
- ✓ The new PPPFA Regulations 2017 applies;
  - ✓ Valid Tax Clearance Certificates as issued by SARS required;
  - ✓ As many quotations as possible must be received with a minimum of three (3) quotations;
  - ✓ The Acquisitions Management Practitioner must compile a Quotations Schedule with the Supplier details and price of each quotation received;
  - ✓ The Manager: SCMU must sign the Quotations Closing Schedule register to confirm the accuracy thereof and compliance with prescribed procedures; and
  - ✓ The Manager: SCMU then forwards the quotations received to the relevant SCM Acquisitions Management Practitioners to ensure that the evaluation of the quotations received is conducted in accordance with the prescribed evaluation criteria and process.
- 3.2.11 The Acquisitions Management Practitioner must:**
- ✓ Sign a route form to acknowledge receiving the quotations;
  - ✓ Use the approved template to compile a Quotations Comparative Schedule;
  - ✓ Ensure that as many as possible, but at least three quotations have been received;
  - ✓ Allocate points in accordance with 80/20 preferential point system for price and BBBEE levels;
  - ✓ Schedule a meeting of the **Quotations Evaluation Committee** ;
  - ✓ Make copies for Quotations Evaluation Committee members; and
  - ✓ Provide secretarial and support services to the Quotations Evaluation Committee.
- 3.2.12 The Quotation Evaluation Committee must:

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- ✓ Apply the preferential procurement points system;
- ✓ Assess compliance with technical specifications issued;
- ✓ Evaluate the points allocated following the 80/20 principle;
- ✓ Prepare a Bids Score Sheet of all points allocated;
- ✓ Keep minutes of the proceedings;
- ✓ Make a recommendation on the preferred supplier; and
- ✓ Forward the recommendations to the relevant official for approval as per 3.2.13 and 3.2.14.

3.2.13 Procurement up to a maximum of R100 000. 00 may be approved by Manager: SCMU or Executive Director of the User-Department concerned.

3.2.14 Procurement between **R100 001.00 and R200 000.00** must be forwarded to the CFO for approval.

3.2.15 The Manager: SCMU/ Executive Director / CFO must: -

- ✓ Consider the process followed in arriving at the recommendation;
- ✓ Consider the information on the Comparative Schedule and Evaluation Score Sheet;
- ✓ Consider the recommendations of the Quotations Evaluation Committee;
- ✓ Approve or disapprove the recommendation and sign the Comparative Schedule; and
- ✓ If satisfied, award to the quotation scoring the highest number of points.

3.2.16 Procurement between R10 001 and R30 000.00:

- ✓ PPPFA does not apply;
- ✓ At least three (3) written quotations must be obtained from suppliers registered on the Central Suppliers Database and ideally the AbaQulusi Suppliers Database on a rotational basis;
- ✓ Record the quotations received on the Comparative Schedule;
- ✓ The Acquisitions Management Practitioner must forward quotations and Comparative Schedule to the Executive Director or Manager: SCMU;
- ✓ The Executive Director or Manager: SCMU considers the processes followed, quotations received and the Comparative Schedule; and
- ✓ If satisfied, the Executive Director or Manager: SCMU awards to the lowest acceptable price quotation.

3.2.17 Procurement between R2001 and R10 000:

- ✓ PPPFA does not apply;

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- ✓ At least three (3) written or verbal quotations must be obtained from suppliers registered on the Central Suppliers Database and AbaQulusi Suppliers Database on a rotational basis;
- ✓ Verbal quotations received must be immediately recorded in a Verbal Quotations Register
- ✓ If only one or two suppliers are available, written motivation must be placed on file for audit purposes;
- ✓ The quotations received or details of the verbal quotations received, together with the Comparative Schedule are forwarded to the respective Executive Director or to the Manager: SCMU; and
- ✓ The Executive Director or the Manager: SCMU considers the processes followed, the quotes received and the information on the comparative schedule and if satisfied, awards to the lowest acceptable quote.

### 3.2.18 Procurement up to R2000:

- ✓ PPPFA does not apply;
- ✓ At least 2 verbal quotations must be received and recorded in the Comparative Schedule;
- ✓ The Acquisitions Management Practitioner forwards the quotations together with the Comparative Schedule to Executive Director or Manager: SCMU for consideration and approval; and
- ✓ If satisfied, the Executive Director or Manager: SCMU awards to the lowest acceptable price quotation received.

3.2.19 Once the CFO or Executive Director or Manager: SCMU approves the award the Acquisitions Management Practitioner must update the Quotations Register with the details of the award.

3.2.20 The Acquisitions Management Practitioner must also update the details of the award on the Supplier Database.

3.2.21 The Acquisitions Management Practitioner attaches all the supporting documentation (quotations, comparative schedule, score sheet, recommendation and award) to the Requisition Form.

3.2.22 The Acquisitions Management Practitioner must complete the route form.

3.2.23 The Requisition, together with all the relevant supporting documentation and the route form is then included in a Supplier Case File and forwarded to the Logistics Section for processing.

## **PART 4: LOGISTICS MANAGEMENT**

The Logistics Management activities play an important role in a successful Supply Chain Management system. It is the process of determining when goods and/or services are procured, received, stored and distributed. Typically this involves the processes of ordering, receiving, payment, provisioning and inventory management. Logistics Management also gives rise to the review of the Supplier/ Service Provider performance.

### **4.1 ORDERING PROCESS**

The ordering process is triggered at the point of receiving of the Supplier Case File (Requisition, Quotations/Bids, Award Documents and Route Form) from the Acquisitions Management Section.

4.1.1 The SCM Logistics Practitioner will:

- ✓ Record the details of the Requisition received (case file) in the Requisition Register;
- ✓ Check the completeness and accuracy of the information provided;
- ✓ Consolidate and group Requisitions according to specific items or suppliers;
- ✓ Complete the prescribed Order ;
- ✓ Capture the details of the order issued on the MunSOFT system;
- ✓ Record the unique order number issued in the Requisition Register; and
- ✓ Forward the order and the case file to the Manager: SCMU for approval.

4.1.2 Once the order is approved by the Manager: SCMU, the Logistics Practitioner will:

- ✓ Commit the budget and forward the original copy of the order to the successful Supplier/ Service Provider;
- ✓ File the second copy of the order in the Supplier's Case File; and
- ✓ Inform the End User of the award by forwarding the third copy to the End User.

4.1.3 The Logistics Practitioner must immediately thereafter:

- ✓ obtain confirmation from Suppliers, in writing within three (3) days, that orders have been received by them ;
- ✓ obtain confirmation of the delivery date of goods/services from the supplier;
- ✓ Inform the End User of the expected delivery date of the goods/services; and
- ✓ Record the details of the order issued in the Supplier Case File.

- 4.1.4 The Logistics Practitioner then records the details of the order issued in the Requisition Register and tracks the progress against the order with the End User.



4.2 INVENTORY MANAGEMENT

The trigger for this process is the delivery of goods/services by the Supplier.

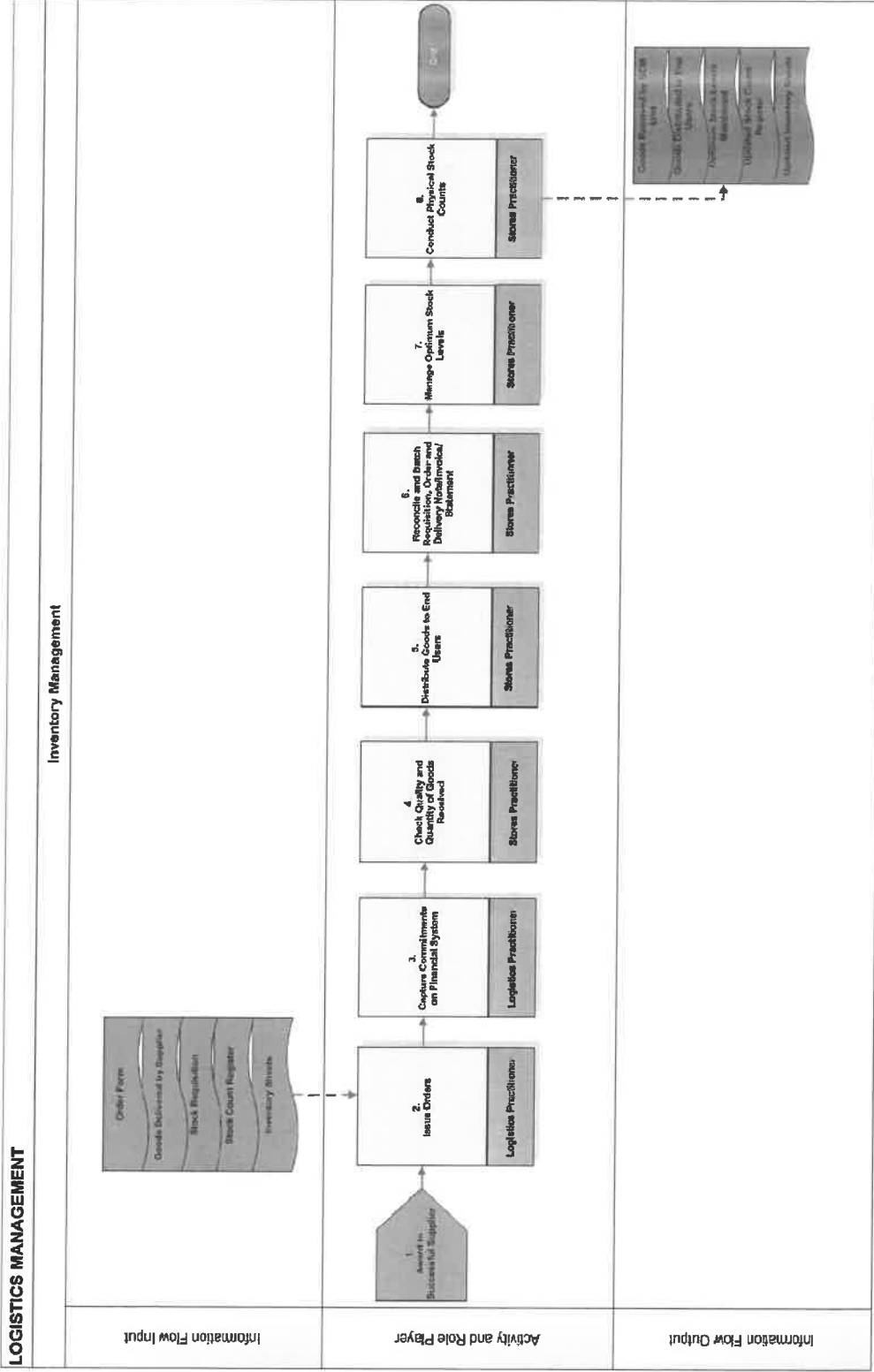


Figure 7: Inventory Management Process Flow

4.2.1 The Logistics Management Unit receives goods delivered by suppliers.

4.2.2 Before accepting delivery, the **Stores Practitioner must:**

- ✓ Verify that delivery of goods takes place on the agreed-to delivery date;
- ✓ Verify the goods received against the order to ensure that the goods actually ordered are being delivered;
- ✓ Compare the quantity, quality and specifications of goods received with the Supplier's Invoice or Delivery Note i.e. Goods Received Note and the Order issued;
- ✓ Unpack goods received and check for damage or visible signs of damage;
- ✓ Complete a Confirmation of Goods Received if satisfied that the delivery is in order;
- ✓ Accept the delivery and sign the delivery note or invoice indicating that the goods have been received;
- ✓ Record the delivery in the Goods Delivery Register with the following information:
  - Nature of items delivered;
  - Quality and specifications; and
  - Whether the items were delivered on time.
- ✓ Record the delivery information in the Stock Receipts Register.

4.2.3 Should the Logistics Practitioner conclude that the delivery is different from the details and specifications in the order, the Logistics Practitioner must:

- ✓ Record the variations identified in the **Goods Delivery Register;**
- ✓ In the event of a short supply, consult the End User to establish whether the short delivery of goods should be accepted, record the shortfall on the Supplier's Invoice/Delivery Note and the Goods Delivery Register, sign and accept the delivery. Payment to the supplier must be adjusted accordingly;
- ✓ In the event of variations from the order, record the variations on the Supplier's Invoice or Delivery Note as well as the Goods Delivery Register;
- ✓ In the event of significant visible damage to the goods, record the damage in the Supplier's Invoice/Delivery Note and the Goods Delivery Register; and
  - Refuse acceptance of the delivery;
  - Return the goods to the Supplier.
- ✓ Report all variances and discrepancies in writing to the supplier.

4.2.4 In the event of a short supply being accepted, the Stores Practitioner must conduct regular follow-ups with the Supplier until the order is completely fulfilled.

4.2.5 The Supplier must deliver the short supplied goods within seven (7) days of the original delivery failing which the Municipality may take appropriate legal action.

4.2.6 All goods received must be taken into stock by the Stores Practitioner as follows:

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- ✓ Unpack the items received;
- ✓ Complete the Inventory Register with details of the items received; and
- ✓ Pack the items into the categorised location for the type of goods received in line with the Stores Inventory System.

4.2.7 Once the goods have been received and taken into stock, the Stores Practitioner must:

- ✓ Reconcile the Requisition with the Order issued and the signed Supplier Delivery Note/Invoice;
- ✓ Batch the Requisition, Order, Supplier Delivery Note, Goods Received Note, Supplier Invoice and/or Statement received from the Supplier;
- ✓ Place all reconciled documents in the Case File;
- ✓ Record the details of the reconciled documentation in the Requisition Register; and
- ✓ Submit the Case File with the batched supporting documents to the Finance Section for processing of payment.

4.2.8 Distribution of the stock items by the Stores Practitioner will occur as follows:

- ✓ Receive an approved Stores Requisition from the End User;
- ✓ Categorise and consolidate Stores Requisitions according to stock item categories;
- ✓ Compile a list of all stock items to be issued;
- ✓ Select the stock items from the Stores;
- ✓ Inspect items to ensure that they are not damaged and that they comply with the approved Stores Requisition forms;
- ✓ Record the stock items removed from the Stores in the Inventory Register;
- ✓ Also record the removed stock items in the Stock Issued Register;
- ✓ Sign the Stock Issue Register to confirm withdrawal of items from stores;
- ✓ Pack the items according to the Stores Requisition Forms; and
- ✓ Request the End User to collect the stock items.

4.2.9 Distribution to End Users takes place either by End Users collecting the items or the stock items being delivered to the End Users.

4.2.10 The Stores Practitioner will:

- ✓ Create a Delivery Note;
- ✓ Compile a Distribution Schedule with the following details:
  - Requesters Details
  - Delivery Address
  - Details of Stock Item

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- Distributor's details
- Date of distribution of stock items
- ✓ Ensure that the End User signs the Delivery Note when the stock items are collected by or delivered to the End-User; and
- ✓ File the signed Delivery Note together with the Stores Requisition in the case file.

4.2.11 The Stores Practitioner must ensure that Optimum Stock levels are maintained to service the needs of End Users by:

- ✓ Identifying all popular / fast-moving stock items;
- ✓ Calculate the lead times required to replenish these items;
- ✓ Calculate the minimum amount of stock required (minimum re-order level) during the order period;
- ✓ Determine the amount of stock available and the amount of stock needed during the lead time period;
- ✓ Complete Requisition Forms for items needing replenishment and send to Manager: SCMU for approval;
- ✓ Record the specifications and quantities of items to be replenished in the Requisition Register; and
- ✓ Submit the Requisition to the Acquisitions Management Section for processing.

4.2.12 At least once every month the Stores Practitioner will conduct a stock count of all inventory items by:

- ✓ Completing the Stock Count Register as follows:
  - Date of stock count
  - List of Items to be counted
  - Names of officials who will conduct the stock count
  - Signatures of officials conducting the stock count
- ✓ Physically count all items and record the results in the Stock Count register;
- ✓ Ensure that an independent person witnesses the physical stock count and the recording of the results in the Stock Count Register;
- ✓ Both the Stores Practitioner and independent person must sign the Stock Count Register with the results of the stock count;
- ✓ Reconcile the Stock Count Register with the Inventory Register;
- ✓ Compile a list of all variances;
- ✓ Investigate the reasons for such variances;
- ✓ Provide full reasons for all stock shortages and excesses;
- ✓ Compile a Stock Count Report with full information on the results of the stock count conducted and submit to the Manager: SCMU for approval; and
- ✓ Identify and compile a list of all expired stock and recommend the disposal of such stock.

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4.2.13 The Accounting Officer of **AbaQulusi Local Municipality** may compile a list on inventory items where delivery takes place directly to the end user for practical and efficiency reasons. Where such deliver takes place, the following shall apply:

- ✓ At least two senior officials must take delivery of the goods;
- ✓ Verify that delivery of goods takes place on the agreed-to delivery date;
- ✓ Verify the goods received against the order to ensure that the goods actually ordered are being delivered;
- ✓ Compare the quantity, quality and specifications of goods received with the Supplier's Invoice or Delivery Note and the Order issued;
- ✓ Unpack goods received and check for damage or visible signs of damage;
- ✓ Complete a Goods Received Note if satisfied that the delivery is in order;
- ✓ Accept the delivery and sign the delivery note or invoice indicating that the goods have been received;
- ✓ Record the delivery in the Goods Delivery Register with the following information:
  - Nature of items delivered;
  - Quality and specifications; and
  - Whether the items were delivered on time.
- ✓ Forward the signed Delivery Note, Goods Received Note, Goods Delivery Register and Invoice to the Stores Practitioner within 48 hours from receiving delivery.

4.2.14 The Stores Practitioner must immediately thereafter:

- ✓ Reconcile the Requisition with the Order issued and the signed Supplier Delivery Note/Invoice;
- ✓ Batch the Requisition, Order, Supplier Delivery Note, Goods Received Note, Supplier Invoice and/or Statement received from the Supplier;
- ✓ Place all reconciled documents in the Case File;
- ✓ Record the Case File details in the Payments Register; and
- ✓ Submit the Case File with the batched supporting documents to the Finance Section for processing of payment.



4.3 PAYMENTS TO SUPPLIERS/ SERVICE PROVIDERS

The Payments process is triggered at the receiving of the Payment Advice together with the batched supporting documentation (case file) from the Logistics Management Unit.

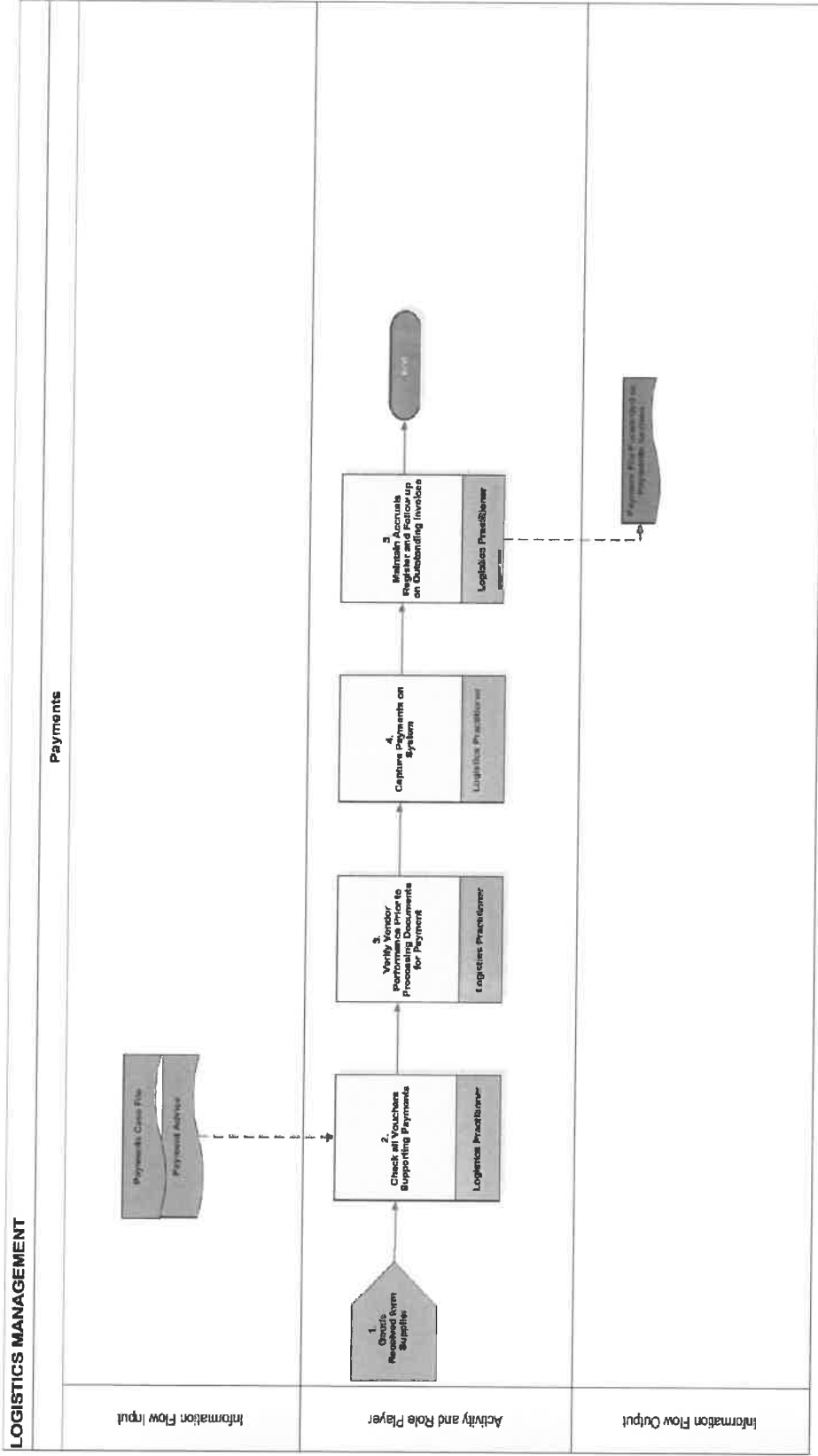


Figure 8: Payments Process Flow

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### 4.3.1 The Logistics Practitioner will:-

- ✓ Check that the Requisition, Order, Suppliers Delivery Note, Suppliers Invoice and/or Suppliers Statement all relate to the same procurement;
- ✓ Confirm that all the supporting documents have been checked and that the signatures confirming performance by Supplier and correctness of the information appears on the supporting documents;
- ✓ **Prepare the vouchers for payment in terms of goods/services received.**
- ✓ **In the case of a progress payment on a contract, check the payment milestones recorded in the order/contract;**
- ✓ Attach the requisition, order, confirmation of goods received note, other supporting documentation in a case file;
- ✓ Submit the case file to the Manager: SCMU for verification and recommendation; and
- ✓ Submit the Payment case file to the relevant Executive Director or to the official with the required delegation of authority (CFO, Accounting Officer) to authorise payment.

4.3.2 The Executive Director or the official with the required delegation of authority must authorize expenditure against available budgets according to the delegations framework and forward the expenditure case file to the Payments Section for payment to be processed.

4.3.3 The Payments section will update the Commitments and Accruals Register and follow up with Suppliers/ Service Providers for outstanding invoices and statements.

## **PART 5: DISPOSALS MANAGEMENT**

Disposal Management refers to the processes followed, and manner in which, stock that is no longer of use to or required by the Municipality is disposed of. The trigger for this process is the monthly stock counts conducted by the Inventory Management Unit in Supply Chain Management. During the monthly stock count, stock items that are unserviceable, broken, redundant, surplus and obsolete are identified and recommended for disposal.



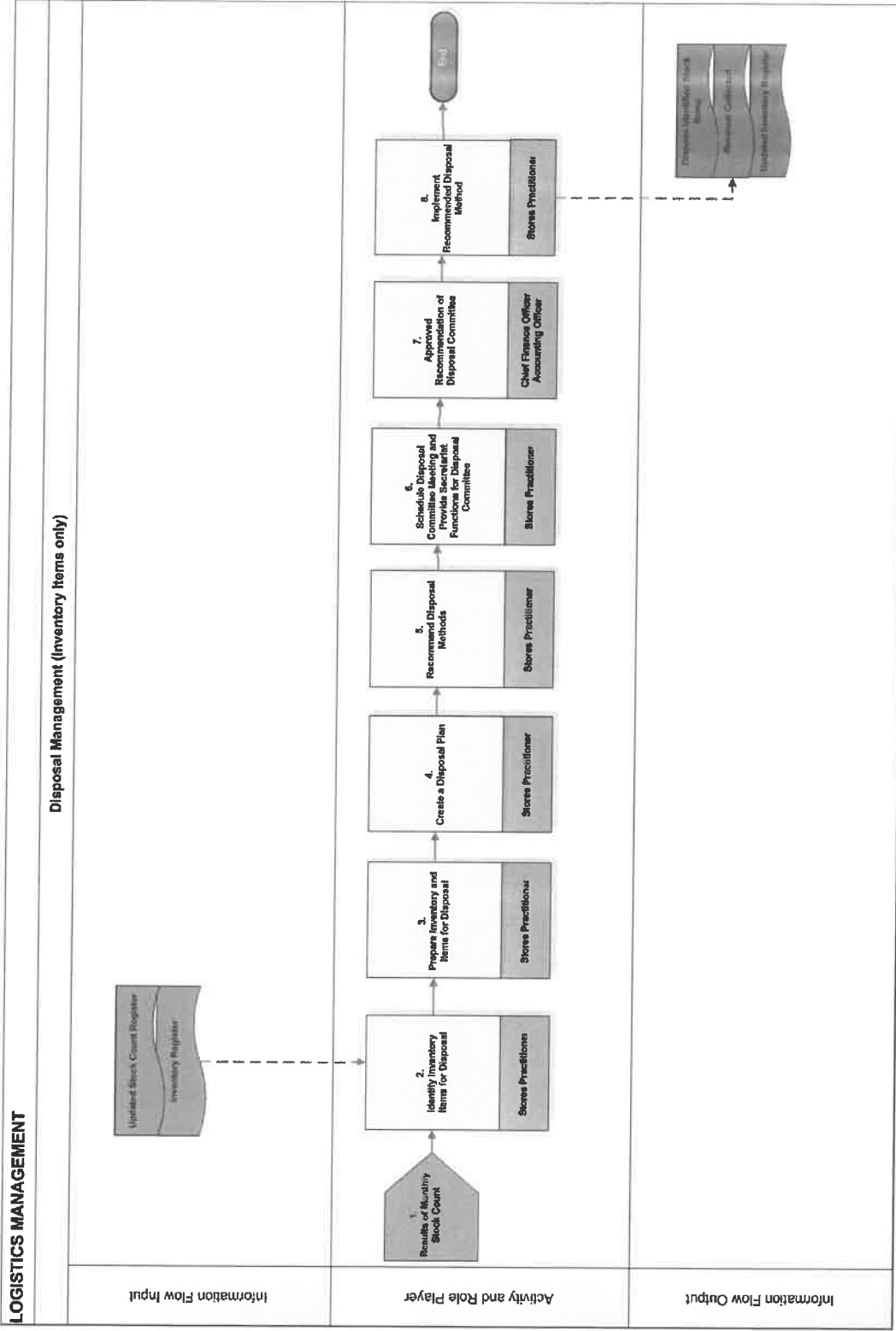


Figure 9: Disposal Management Process Flow

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### 5.1 IDENTIFY ITEMS FOR DISPOSAL

- 5.1.1 The Stores Practitioner in the Inventory Management Unit identifies stock items for disposal during the monthly stock count conducted and prepares a Stock Expiry Report of all stock to be disposed-off.
- 5.1.2 The Stores Practitioner will complete the following information on the Stock Expiry Report:
- ✓ Stock Item name;
  - ✓ Stock Item description;
  - ✓ Expiry date;
  - ✓ Item location; and
  - ✓ Reason for disposal.
- 5.1.3 The Stores Practitioner forwards the Stock Expiry Report to the Manager: SCMU for approval.
- 5.1.4 After approval by the Manager: SCMU, the Stores Practitioner will:
- ✓ Select the items to be disposed of and remove them from stores, according to the Stock Expiry Report; and
  - ✓ Keep these items, per category in a safe place for further viewing by the Disposal Committee.
- 5.1.5 Thereafter the Stores Practitioner completes the Stock Disposal Plan as follows:
- ✓ Item Description – describe the items to be disposed of;
  - ✓ Specifications – record the specifications of the items to be disposed of;
  - ✓ Planned disposal date – When will the items be disposed of;
  - ✓ Purchase price – the cost when the item was procured;
  - ✓ Method of disposal – recommends the manner the items will be disposed of; and
  - ✓ Estimated revenue – the amount of money that can be expected to be received from the disposal.
- 5.1.6 The Disposal Plan, together with the supporting documentation, is then forwarded by the Stores Practitioner to the Disposal Committee established by the Manager: SCMU for consideration. The SCM Unit also provides the secretarial services and the required support to the Disposal Committee.
- 5.1.7 The Disposal Committee:
- ✓ Comprises of no less than five (5) members from the Municipality and includes a Logistics Practitioner;
  - ✓ Is chaired by the Manager: SCMU;
  - ✓ Considers the approved Stock Expiry Report and the Disposal Plan;
  - ✓ May choose to inspect the items to be disposed of;
  - ✓ May request investigation of variances and negligence should the inspection indicate possible negligence on the part of Municipal officials;

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- ✓ Considers the recommendations on the disposal methods; and if satisfied
  - ✓ Recommends the disposal to the CFO.
- 5.1.8 The CFO considers the recommendation of the Disposal Committee on the Stock Disposal Report and if satisfied, supports the recommendation to the Accounting Officer.
- 5.1.9 The Accounting Officer considers all the information made available, the processes followed and the recommendations made and, if satisfied approves the disposal.
- 5.1.10 The Stores Practitioner will, after approval:
- ✓ Record the disposal in the Inventory Register;
  - ✓ Dispose of the stock in the manner approved by the Accounting Officer;
  - ✓ Ensure that the correct monies are received for items sold;
  - ✓ Ensure that official receipts are issued for all monies received; and
  - ✓ Record the amount of money received for each item or category of items disposed of in the Disposal Register, together with the Receipt Number issued.

### **PART 6: PERFORMANCE REPORTING**

Monitoring and Reporting represents a key component of the Supply Chain Management Framework. It interacts with each of the main functional areas represented in the framework and provides an overall look at the performance of the Municipality's Supply Chain Management Function. The focus for reporting on Supply Chain Management Performance at this stage is limited to the analysis of spending against the Procurement Plan.

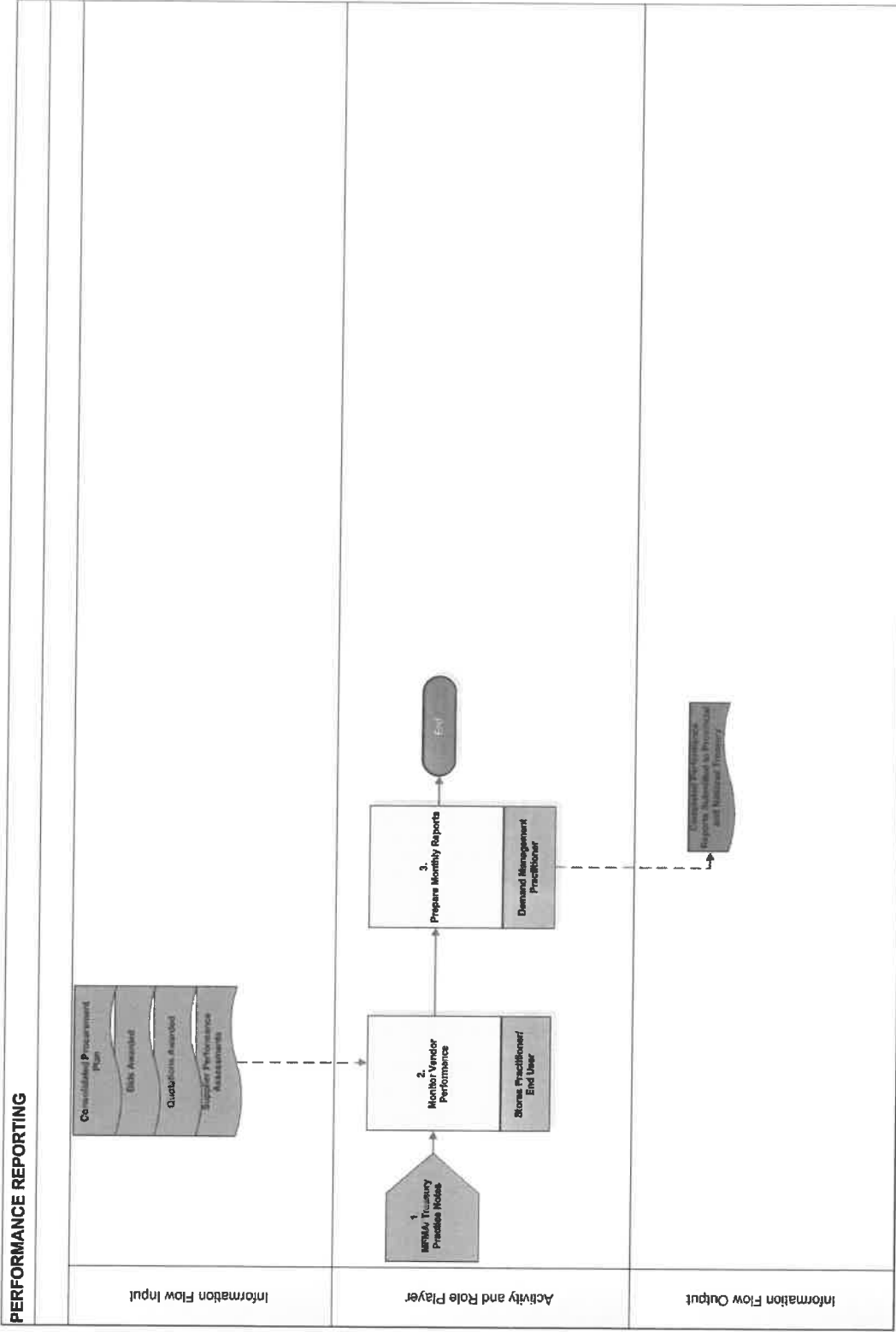


Figure 10: Performance Reporting Process Flow

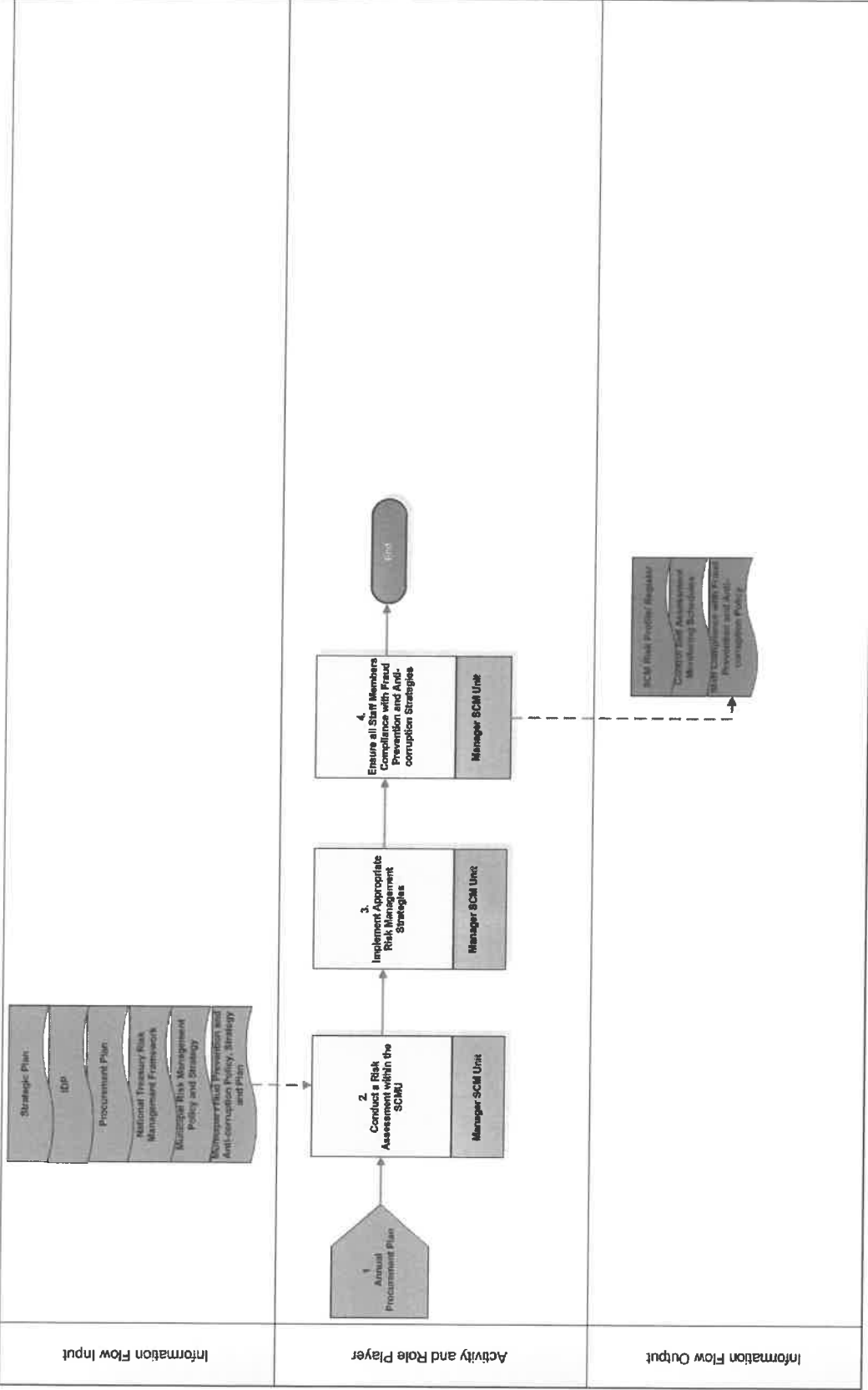
**6.1 SCM PERFORMANCE REPORTS**

- 6.1.1 The Demand Management Practitioner in the Demand Management section in the SCM Unit will prepare a SCM Performance Reporting template.
- 6.1.2 The information from each Procurement Plan will be populated onto this template.
- 6.1.3 Every quotation/ bid awarded will be recorded on the SCM Performance Report per Department.
- 6.1.4 The following fields will be populated:
- ✓ Bid/ quotation number;
  - ✓ Project description;
  - ✓ Cost estimate;
  - ✓ Order number;
  - ✓ Award value;
  - ✓ Contract duration, Start date and End date; and
  - ✓ Category of Supplier/ Service Provider.
- 6.1.5 The SCM Unit will forward this report for each Department to the relevant Executive Director Department monthly.
- 6.1.6 The Demand Management Practitioner will then be consolidate the individual reports and forward the consolidated report to the Manager: SCMU, Chief Financial Officer and Accounting Officer for approval.
- 6.1.7 The consolidated report will then be forwarded to Provincial Treasury and National Treasury.

**PART 7: RISK MANAGEMENT**

The Accounting Officer of the Municipality is required to implement risk management and conduct a risk assessment for the Municipality. Risk Management enables the Municipality to identify events that, should they occur or not occur, impact negatively on the functioning of the Municipality and the accomplishment of the Municipality's goals and targets. Risk Management also enables the Municipality to identify potential opportunities that may be investigated and considered.

**RISK MANAGEMENT**



**Figure 11: Risk Management Process Flow**

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### 7.1 RISK MANAGEMENT FRAMEWORK

- 7.1.1 The Accounting Officer must appoint a Risk Officer to develop the Risk Management Policy, Strategy and Procedures in accordance with the Frameworks issued by the National and Provincial Treasuries.
- 7.1.2 The Municipality's Risk Management Framework must be reviewed and recommended by the CFO and approved by the Accounting Officer.
- 7.1.3 The Risk Officer must schedule Risk Assessment Workshops with Municipal Management and identified staff members to document and analyse business processes for risks relevant to such processes.
- 7.1.4 The Risk Officer thereafter prepares a Risk Profile together with a Risk Register for the Municipality.
- 7.1.5 The Accounting Officer must also develop a Fraud Prevention and Anti-Corruption Policy, Strategy and Plan in accordance with the National Treasury Framework.

### 7.2 SCM UNIT RISK PROFILE

- 7.2.1 The Manager: SCMU:
- ✓ Schedules and conducts Risk Assessment Workshops for the SCM Unit in conjunction with the Risk Officer;
  - ✓ Identifies and records all risks;
  - ✓ Determines the probability of the risk occurring and its impact;
  - ✓ Rates and prioritises the risk identified in accordance with the National Treasury Framework on Risk Management;
  - ✓ Determines the Risk Appetite for the Unit – i.e. what level risks is the Unit prepared to accept without responding thereto ;
  - ✓ Prepares a Response Strategy for all risks that do not fall within the Risk Appetite threshold;
  - ✓ Prepares Control Self-Assessment Schedules for managers within the SCM Unit to monitor risks on a monthly basis; and
  - ✓ Obtains and distributes the Municipality's Fraud Prevention and Anti-Corruption Policy as well as the Code of Conduct to all staff members of the SCM Unit and ensures that staff members comply with the policy and the Code of Conduct.
- 7.2.2 All SCM Practitioners will:
- ✓ Participate in risk assessment workshops;

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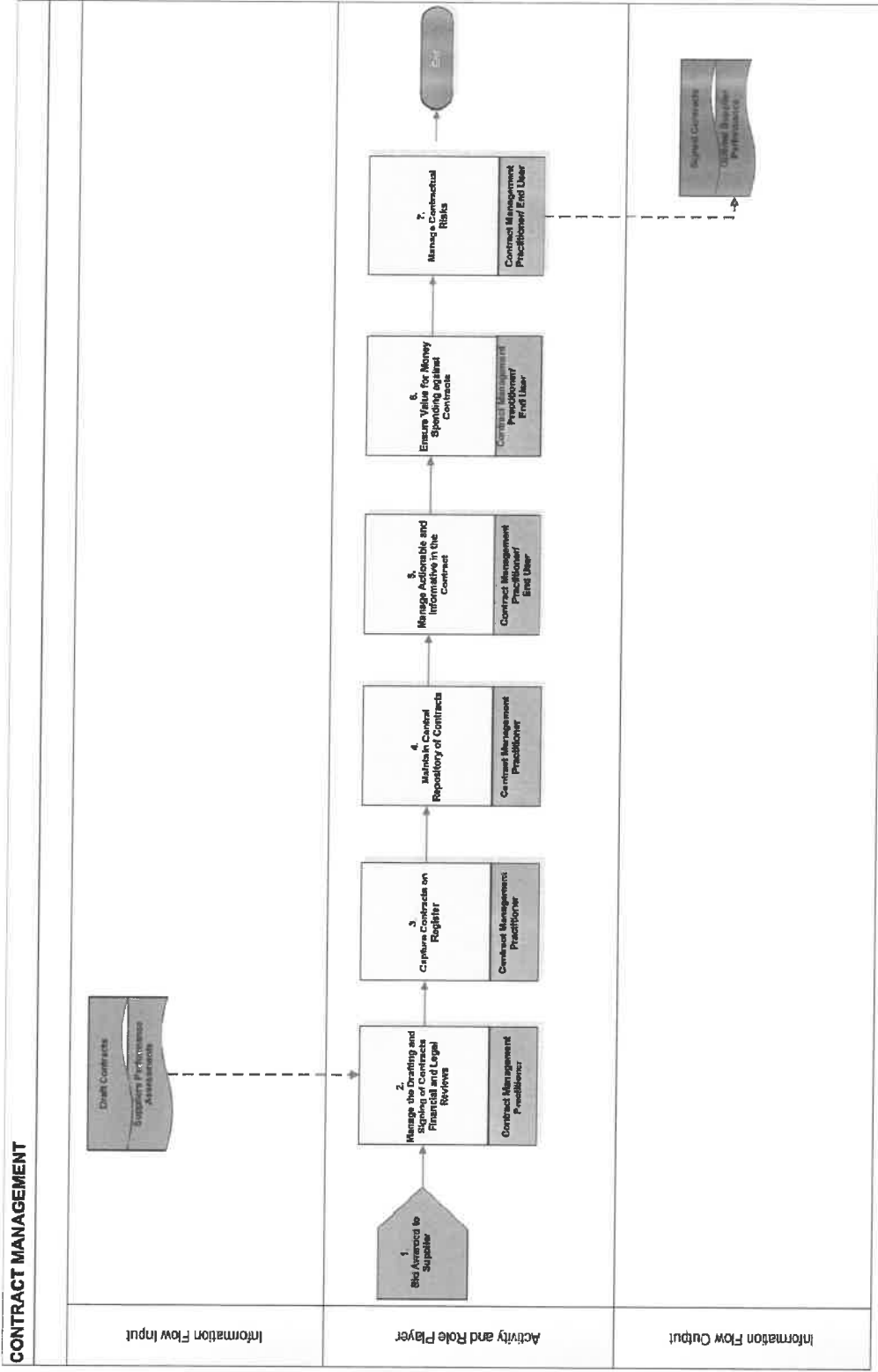
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- ✓ Familiarise him/herself with the system of internal controls and other response strategies identified;
- ✓ Implement the response strategies in functions performed;
- ✓ Conduct monthly assessments of the relevance and functioning of the response strategies;
- ✓ Prepare quarterly assessment reports for the Manager: SCMU; and
- ✓ Comply with the elements of the approved Fraud Prevention and Anti-Corruption Policy, Strategies and the Municipality's Code of Conduct.





**PART 8: CONTRACT MANAGEMENT**



**Figure 12: Contract Management Process Flow**

## **8.1 NEGOTIATING CONTRACTS**

- 8.1.1 The Contract Management Practitioner i.e. SCM Accountant : Contracts in the SCM Unit will:
- ✓ Co-ordinate the negotiations of contract terms and conditions with both the End-User department and the successful Bidder i.e. Supplier / Service Provider, and
  - ✓ Co-ordinate the drafting and signing of the contract with Legal Services, the End-User department and the successful Bidder i.e. Supplier/ Service Provider.

## **8.2 ADMINISTERING CONTRACTS**

- 8.2.1 The signed contract will be recorded on the Contract Register by the Contract Management Practitioner and the original contract will be stored in a central, controlled repository in the SCM Unit.
- 8.2.2 A copy of the contract will be forwarded to the End User to manage both informative and actionable clauses.
- 8.2.3 A scanned copy of the contract will be stored on the Municipality's server.
- 8.2.4 The Contract Management section will facilitate financial and legal reviews with the Finance and Legal sections to ensure value-for-money spending and adequate management of contractual risks and delivery against General Conditions and Special Conditions of Contract.
- 8.2.5 In the event of non-performance of contractual terms and conditions by the Supplier/Service Provider, the Contract Management Practitioner will liaise with the Legal section to invoke actionable and penalty clauses in the contract.
- 8.2.6 The End User will be provided with a contract closeout report template for completion and assessment of Supplier/ Service Provider performance.

## **PART 9: DEVIATIONS AND EXEMPTIONS**

## Abaqulusi Local Municipality

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***NB: All deviations and exemptions from the SCM Policy Frameworks MUST be approved by the Accounting Officer.***

9.1 Deviations/ exemptions will include:

- ✓ Urgent cases; and
- ✓ Emergency cases;

9.2 End-User departments and Executive Directors/HODs are required to report all deviations to the Manager: SCMU immediately.

9.3 The SCM Manager will create a Case File that must include the Request Memo and Request for Deviation (RFD 1) form and other supporting documentation to motivate the deviation/ exemption.

9.4 The Case File with all documents will be submitted to the Chief Financial Officer for recommendation to the Accounting Officer within one (1) day of receiving the signed documentation from the Executive Director/HOD.

9.5 The Chief Financial Officer must request approval from the Accounting Officer within three (3) days from receipt of the Case File.

9.6 The Executive Director/HOD will be informed on the outcome of the submission.

9.7 The SCM Unit will implement the recommendations in line with the approved Delegations of Authority.

9.8 The Deviation must be recorded on the Register for Deviations and information be reported on monthly /quarterly SCM reports and Treasury