

THABO MOFUTSANYANE DISTRICT MUNICIPALITY



THABO MOFUTSANYANA *District Municipality*

SUPPLY CHAIN MANAGEMENT POLICY

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TABLE OF CONTENTS

1. Definitions

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Objectives of Policy
3. Scope of Policy
4. Delegation of supply chain management powers and duties
5. Sub-delegation of supply chain management powers and duties
6. Establishment of supply chain management unit
7. Training of supply chain management officials
8. Oversight role of council
9. Amendment of Policy

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

10. Format of supply chain management system
 - Part 1: Demand management*
11. System of demand management
 - Part 2: Acquisition management*
12. System of acquisition management
13. Range of procurement processes
14. General preconditions for consideration of written quotations or bids
15. Lists of accredited prospective providers
16. Petty cash purchases
17. Written or verbal quotations
18. Formal written price quotations
19. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations
20. Competitive bids

21. Process for competitive bids
22. Compilation of bidding documentation for competitive bids
23. Public invitation for competitive bids
24. Site meetings or briefing sessions
25. Handling of bids submitted in response to public invitation
26. Negotiations with preferred bidders
27. Two-stage bidding process
28. Committee system for competitive bids
29. Bid specification committees
30. Bid evaluation committees
31. Bid adjudication committees
32. Procurement of banking services
33. Procurement of IT related goods or services
34. Procurement of goods and services under contracts secured by other organs of state
35. Procurement of goods necessitating special safety arrangements
36. Proudly SA Campaign
37. Appointment of consultants
38. Deviation from, and ratification of minor breaches of, procurement processes
39. Unsolicited bids
40. Combating of abuse of supply chain management system

Part 3: Logistics Management; Requisition, Purchases, Receipt and Issue

41. Logistics management

Part 4: Logistics, Management; Stores Management

42. Stores management

Part 5: Disposal Management

43. Disposal management

Part 6: Risk Management

- 44. Risk management

Part 7: Performance Management

- 45. Performance management

Part 9: Other matters

- 46. Prohibition on awards to persons whose tax matters are not in order
- 47. Prohibition on awards to persons in the service of the state
- 48. Awards to close family members of persons in the service of the state
- 49. Ethical standards
- 50. Inducements, rewards, gifts and favours
- 51. Sponsorships
- 52. Objections and complaints
- 53. Resolution of disputes, objections, complaints and queries
- 54. Contracts providing for compensation based on turnover
- 55. Short title
- 56. Implementation

1. Definitions

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), has the same meaning as assigned and –

“competitive bidding process” means a competitive bidding process referred to in paragraph 13 (1) (d) of this Policy;

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

“contract” means a legally binding agreement between Thabo Mofutsanyane District Municipality and the service provider or contractor;

“contractor” means any natural or legal person whose bid has been accepted by the council;

“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 13 (1) (c) of this Policy;

“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 15 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);

“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;

“written or verbal quotations” means quotations referred to in paragraph 13(1) (b) of this Policy.

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2 Objectives of Policy

The objectives of the supply chain management policy are-

- a) to give effect to section 217 of the Constitution of the Republic of South Africa which provides for procurement of goods or services by an organ of state in the national, provincial or local sphere of government or any other institution identified in national legislation taking into account categories of preference in the award of contracts and the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination;
- b) to give effect to section 111 of the Act which requires each municipality to develop and implement a supply chain management policy;
- c) to ensure that goods and services are procured in accordance with a system which is fair, equitable, transparent, competitive and cost-effective as required by section 217 of the Constitution and section 112 of the Act;
- d) to ensure that the procurement process complies with municipal supply chain management Regulations and any minimum norms and standards that may be prescribed by National Treasury from time to time;
- e) to promote consistency of the process of procurement with other applicable legislation;
- f) to ensure uniformity in supply chain management systems between organs of state in the national, provincial and local spheres of government;

- g) to ensure that the procurement process is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

3 Scope of Policy

- (1) This Policy applies when the municipality –
 - (a) procures goods or services;
 - (b) disposes goods no longer needed;
 - (c) selects external contractors or service providers with whom to enter into service delivery agreements for the provision of municipal services

In selecting external contractors or service providers, the municipality must take into account the need to promote empowerment of small and emerging enterprises and historically disadvantaged individuals without compromising or limiting the quality, cost and development impact of the services.

- (2) This Policy, except where specifically provided otherwise, does not apply, if, the municipality contracts with another organ of state for-
 - (a) the provision of goods or services to the municipality, including water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and electricity from Eskom or another public entity, another municipality or a municipal entity;

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

4 Delegation of Supply Chain Management Powers and Duties

- (1) The council hereby delegates all powers and duties to the accounting officer to enable him or her –
 - (a) to discharge the supply chain management responsibilities conferred on Municipal Managers in terms of –
 - (i) Chapter 8 or 10 of the Act in respect of financial management and financial governance functions of Municipal Managers; 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 implementing the supply chain management system and taking all reasonable steps to ensure that proper mechanisms and separation of duties are in place in the supply chain management system as required by the Act.

- (2) The Municipal Manager may not sub-delegate any supply chain management powers or duties to any political structure or political office-bearer of the municipality or any other person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;
- (3) Paragraph 4 (2) above 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 this Policy.

5 Sub-delegation of Supply Chain Management Powers and Duties

- (1) The Municipal Manager 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 Municipal Manager in terms of this Policy, but any such sub-delegation must be consistent with paragraphs 4 and 5 (2) of this Policy.

All sub-delegations must be in writing. Accountability for proper functioning of the supply chain management system cannot be delegated and remains with the Municipal Manager.

- (2) The power to make a final award –
 - (a) Above R10 million (VAT included) may not be sub-delegated by the Municipal Manager;

- (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 head of department; or
 - (iii) a bid adjudication committee of which the chief financial officer or a head of department is a member;

- (c) Not exceeding R2 million (VAT included) may be sub-delegated but only to-
 - (i) the chief financial officer;
 - (ii) a head of department;
 - (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 paragraph 5 (2) must within five days of the end of each month submit to the official referred to in paragraph 5 (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 paragraph 5 (3) above must be submitted –
 - (a) to the Municipal Manager, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a head of a department; or
 - (iii) a bid adjudication committee of which the chief financial officer or a head of a department is a member; or

- (b) to the chief financial officer or the head of the department responsible for the relevant bid, in the case of an award by –
 - (i) a manager directly accountable to the chief financial officer or a senior manager; or
 - (ii) a bid adjudication committee of which the chief financial officer or a head of department is not a member.

- (5) The submission of a written report referred to in paragraphs 5 (3) and 5 (4) above does 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 this Policy.

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

6 Establishment of Supply Chain Management Unit

- (1) A supply chain management unit is established to implement the supply chain management policy.

- (2) The supply chain management unit operates under the direct supervision of the chief financial officer or
 - (i) the Unit Manager of the budget and treasury office; or
 - (ii) an official in the budget and treasury office; to whom this duty has been delegated; or
 - (iii) with the concurrence of the Municipal Manager,
 - any official of the municipality; or

- any person contracted by the municipality for the work of the budget and treasury office.

7 Training of Supply Chain Management Officials

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

8 Oversight Role of Council

The council reserves its right to maintain oversight over the implementation of this Policy by ensuring that the Policy is implemented within the ambit of legislation. For the purpose of such oversight, the Municipal Manager must-

- (a) within ten (10) days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive Mayor.
- (b) within thirty (30) days of the end of each financial year, submit a report on the implementation of the supply chain management policy to the council of the municipality; the report should include progress made in respect of achieving the objectives prescribed in council's and government policies.
- (c) whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council of the municipality.

9 Amendment of Policy

(1) The Municipal Manager must –

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

- (b) when the Municipal Manager considers it necessary, submit proposals for the amendment of this Policy to the council.

- (2) The proposed amendments submitted to council must comply with the guidelines of the National 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.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

10 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

OBJECTIVE

To ensure that the goods/services required fulfilling the needs identified in the operational plan of the Municipality are delivered at the correct time, price and place and that the quantity and quality of goods/services delivered will satisfy those needs.

11 System of demand management

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

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

(3) The benefits of demand management include-

- (a) Best value for money;
- (b) Better risk management;
- (c) More efficient procurement;
- (d) Improvement in procurement outcomes;
- (e) More opportunities for innovating bidding and contract management;
- (f) More opportunities for implementing and achieving National Government's broader policy objectives; and
- (g) Effective partnership between supply chain management practitioners and end users.

In Summary, Demand management consist of two major processes and these are:

- Needs assessment
- Sourcing strategy

A needs assessment is performed to identify the goods and services required to achieve the outcomes envisaged in the business plan.

This is a cross-functional exercise that brings the supply chain practitioner closer to the end user and ensuring that value for money is achieved. Both current and future needs should be determined based on the operational plan.

A sourcing strategy defines the optimal strategy for sourcing goods or services within the context of the entity. The context will include preferential procurement strategies and project specific requirements.

PART 2

ACQUISITION MANAGEMENT PROCUREMENT OF GOODS AND SERVICES

OBJECTIVE

The Municipality is obliged to ensure that the best interest of the public is served when these funds are spent. “Best interest” includes satisfying requirements at the most favourable conditions, including price, ensuring that business and industries are afforded the best possible opportunity to satisfy such requirements on a competitive basis and, adhering to National Government’s medium-term policy initiatives, including Broad-Based Black Empowerment (BBBEE) and Preferential Procurement Policy Framework Act.

In addition this policy strives to achieve uniformity in supply chain management systems between organs of the state.

And to address Resolution no. 8/2008 tabled on the 25 April 2008

12 System of acquisition management

- (1) The Municipal Manager must implement the system of acquisition management set out in this Part in order to ensure –
 - (a) that goods and services are procured by the municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget ; and within the limits of the amounts appropriated for the different votes in an approved budget;
 - (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 3(2) of this Policy, the Municipal Manager must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including –
- (a) the kind of goods or services; and
 - (b) the name of the supplier.

13 Range of procurement processes

1. Procurement of goods and services, either by way of written price quotations or through a competitive bidding process, must be within the threshold values as specified in section 13 of the Framework.

Up to an estimated value of R 2000 (including VAT)	Petty Cash Purchases
to an estimated value of R 2000 up to R10 000(including VAT)	Obtain single written or verbal quotation
to an estimated value of R10 000 up to R 200 000 (including VAT)	Obtain at least three written quotations, from the database established for this purpose.
Above an estimated value of R 200 000 (including VAT)	Use competitive bidding process.
Procurement of long term contracts	Use competitive bidding process.

- (2) The Municipal Manager may, in writing-
- (a) lower, but not increase, the different threshold values specified in paragraph 13 (1) of this Policy; 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 R10 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.

14 General preconditions for consideration of written quotations or bids

- (1) 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 the 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.

15 Lists of accredited prospective providers

- (1) The Municipal Manager must –
 - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
 - (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
 - (c) specify the listing criteria for accredited prospective providers; and
 - (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 commodity and per type of service.
- (4). The list of prospective suppliers should be classified in order to perform the preference for selection criteria. The following classifications are required:

HDI, SMME and BEE status	To effectively promote the participation of Historical Disadvantaged Individuals (HDI's) and Small, Medium and Micro Enterprises (SMME's) the database must pre-qualify all potential suppliers in terms of there HDI or SMME and BEE status. The status of all suppliers must be accredited.
Type of industry	Categorising the suppliers according to the goods/services they are capable of supplying should also be performed. The categories used will depend on the outcome of the needs assessment performed during the demand management phase.
Past Performance	Further categorization will include previous performance (timeliness, quality, etc.).

16 Petty cash purchases

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 13 (1) (a) of this Policy, are as follows –

- (a) Petty cash transactions are approved by the chief financial officer or his/her delegate;
- (b) Petty cash purchases are limited to a maximum of R500.00 (VAT included) per purchase;
- (c) Petty cash float is R1000.00 per month; and
- (d) a monthly petty cash reconciliation report must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

17 Written or verbal quotations

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

- (a) Quotations must be obtained from at least three different providers 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 set out in paragraphs 15(1) (b) and 15 (1) (c) of this Policy;
- (b) Providers must be requested to submit such quotations in writing;
- (c) If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Municipal Manager or another official designated by the Municipal Manager;

- (d) the Municipal Manager must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

18 Formal written price quotations

A quotation can only be obtained once a valid requisition is received. Before obtaining a quotation, the SCM unit must validate the availability of budgeted funds and the inclusion of the required item on the needs assessment submitted by the applicable section.

Only the SCM Unit is authorised to obtain written price quotations. Price quotations should be obtained using the list of prospective suppliers. Quotations with an estimated value of R 30 000 (including VAT) or more must be advertised on the official notice board of the Municipality.

At least three written quotations that are responsive (i.e. technically acceptable) and responsible (i.e. price acceptable) must be obtained from the list of prospective suppliers. If this is not possible written approval for deviation must be obtained from the Chief Financial Officer. The invitation of price quotations from the compiled list of prospective suppliers per commodity should be done on a rotation basis in such a manner that ongoing competition amongst suppliers is promoted. Records should be kept of the rotation.

For written quotations, preference for selection will be applied according to the following hierarchy:

- Previous performance;
- Black Economic Empowerment status;
- HDI status as per PPPFA and BBBEE; and
- Traditional suppliers.

The head of the SCM unit must provide the CFO with a list of all quotations awarded on a monthly basis. The information to be included:

- The date when the quotation was awarded;
- The name of the successful supplier;
- The industry classification;
- Description of items procured;
- The HBI, SMME and BEE status; and
- The price.

19 Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:

- (a) when using the list of accredited prospective providers the Municipal Manager must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (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 18 of this Policy, be advertised for at least seven days on the website and an official notice board of the municipality;
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the Municipal Manager or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;

- (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, as outlined in the Preferential Procurement Policy Act and associated regulations, must be awarded to the bidder who scored the highest points;
- (g) an efficient system of keeping record of all quotations received must be maintained.

20 Competitive bids

- 1) All requisitions for goods/works or services with an estimated transaction value exceeding R200 000 (including VAT) must be procured through a competitive bidding process.
- 2) On receiving such requisitions the SCM unit is responsible for verifying both budget availability and whether the goods or services was included in the needs assessment. Based on this, the CFO will recommend/not recommend to the MUNICIPAL MANAGER for his/her approval/disapproval, that the competitive bidding process should be followed.
- 3) Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the MUNICIPAL MANAGER may procure the required goods or services by other means, such as price quotations or negotiations. The reasons for deviating from inviting competitive bids should be recorded and approved by the Council.
- 4) Each month the MUNICIPAL MANAGER must provide the Council with a list of all contracts exceeding the R200 000 threshold awarded by any other means than the competitive bidding process. The information to be included:

- The date when the contract was awarded;
- The name of the successful supplier;
- The industry classification;
- Description of items procured;
- The reason for deviation; and
- The price.

5) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

21 Process for competitive bidding

The stages of a competitive bidding process are as follows:

- (i) Compilation of bidding documentation;
- (ii) Public invitation of bids;
- (iii) Site meetings or briefing sessions;
- (iv) Handling of bids submitted in response to public invitation;
- (v) Evaluation of bids;
- (vi) Award of contracts
- (vii) Administration of contracts;
- (viii) Proper record keeping.

22 Compilation of bidding documentation

In addition to the general preconditions for consideration of a bid outlined in paragraph 14 of this Policy, bid documentation 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 (CIDB), in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) require bidders to furnish the following if the value of the transaction is expected to exceed R10 million (VAT included):
- (i) if the bidders are 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 is expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality 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.
- (f) invite prospective bidders to request copies of the tender documentation on the day of advertisement of the tender.

23 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(resolution 8/2008)); and
 - (b) the information contained in a public advertisement, must include –
 - (i) bid number;
 - (ii) description of requirements;
 - (iii) the closure date and time 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) below;

- (iv) a statement that bids may only be submitted on the bid documentation provided by the municipality;
 - (v) date, time and venue of any proposed site meetings or briefing sessions;
 - (vi) the place or office where the bid documents may be obtained;
 - (vii) the fee for the issue of bid documents;
 - (viii) the contact details for any enquiry.
- (2) The Municipal Manager may determine a closure date and time for the submission of bids which is less than the 30 days or 14 days requirement, but only if such shorter period can be justified on 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.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.
- (5) **The SCM Unit should maintain a written list of responses to the advertisement, in a register maintained for such purpose.**

24 Site meetings or briefing sessions

The purpose of a site meeting or briefing session is to provide the bidders with all relevant information and clarify any pertinent issue relating to the tender.

The site meeting or briefing session will also address issues which the municipality might have overlooked in the tender document.

On the whole, the site meeting or briefing session will provide greater insight into the scope of the project and afford the bidders the opportunity to gain greater understanding of the conditions and requirements of the project.

25 Handling of bids submitted in response to public invitation

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

(a) Closing of bids

- All bids shall close 12H00 on the closing date indicated in the bid document.
- All bids must be placed in the Tender Box provided for the receipt of bids at the offices of Thabo Mofutsanyane District Municipality by 12h00 on the closing date
- Bids which are not placed in the Tender Box by 12h00 on the closing date shall be marked late bids and such bids shall be considered invalid and returned to the bidders immediately.

(b) Opening of bids:

- Bids must be opened in public, at the same time and as soon as possible after the expiry of the period for submission of bids.
- The official opening the bids must, for each bid, read out the name of the bidder and the amount of the bid.
- All valid bids shall be stamped with the official stamp of the municipality and endorsed by the official opening the bids and the Manager of the Supply Chain Management Unit present at the opening of the bids or his/her delegate.

(c) The Municipal Manager must:

- record in a register all bids received in time;
- make the register available for public inspection; and

- publish the entries in the register and the bid results on the website.
- Bids shall be valid for a period of 90 days calculated from the closing date.

(d) Clarification or alterations of bids

- No alterations to bid documents are allowed after the deadline for receipt of bids. This includes, but is not limited to, changes in the substance of the document and price changes.
- Only questions asked to bidders for clarification needed to evaluate their bids fairly are allowed. Requests for clarification and the bidder's responses should be made in writing. The SCM Unit must keep a register for this purpose, including minutes of the discussions held.

(e) Confidentiality

After public opening of bids, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards should not be disclosed to bidders or other persons not officially concerned with the process, until the successful bidder is notified of the award.

(f) Completeness of documentation

- During the examination of the bid documents, the SCM Unit should ascertain whether bids:
 - Include original tax clearance certificates;
 - Have been properly signed;
 - Are accompanied by the required securities (when applicable);
 - Are substantially responsive to the bidding documents; and
 - Are otherwise generally in order.

- Furthermore, the SCM Unit should ensure that a bidder's name (including the name of any member/partner) does not appear on the list of restricted bidders/persons, in which case the bid should not be considered.
- If a bid is not substantially responsive, that is, it contains material deviations from or reservations to the terms, conditions and specifications in the bidding documents, it should not be considered further. No communication is to be entered into between the Municipality and the relevant bidder(s). The bidder should not be permitted to correct or withdraw material deviations or reservations once bids have been opened.
- Bidding documents, inclusive of material deviations, identified as not substantially responsive should be kept for reference purposes.

26 Negotiations with preferred bidders

- (1) The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
 - (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.

27 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.

28 Committee system for competitive bids

- (1) A committee system for competitive bids shall be established, consisting of the following committees for each procurement or cluster of procurements as the Municipal Manager may determine:
 - (a) a bid specification committee;**
 - (b) a bid evaluation committee; and**
 - (c) a bid adjudication committee;**
- (2) The Municipal Manager appoints the members of each committee, taking into account the prescription of section 117 of the Act, that no councillor of any municipality may be a member of any of the committees, nor attend a meeting of any of the committees as an observer; and
- (3) A neutral or independent observer, appointed by the Municipal Manager, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with-
 - paragraph 29, 30 and 31 of this Policy; and
 - any other applicable legislation.

- (5) The Municipal Manager may apply the committee system to formal written price quotations.

29 Bid specification committees

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.

(2) Specifications –

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations, 2001; and

- (g) must be approved by the Municipal Manager prior to publication of the invitation for bids in terms of paragraph 23 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

30 Bid evaluation committees

- (1) A bid evaluation committee must –
 - (a) evaluate bids in accordance with –
 - the specifications for a specific procurement; and
 - the points system set out in terms of paragraph 29 (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-
 - (a) officials from departments requiring the goods or services; and
 - (b) at least one official of the supply chain management unit of the municipality.

31 Bid adjudication committees

- (1) A bid adjudication committee must –
 - (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - depending on its delegations, make a final award or a recommendation to the Municipal Manager to make the final award; or
 - make another recommendation to the Municipal Manager how to proceed with the relevant procurement.

- (2) A bid adjudication committee must consist of at least four senior managers of the municipality which must include –
 - (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - (b) at least one senior official of the supply chain management unit of the municipality; and
 - (c) a technical expert in the relevant field who is an official, if such an expert exists.

- (3) The Municipal Manager 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 –
- check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - notify the Municipal Manager.
- (b) The Municipal Manager may –
- after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph 31 (5)(a); and
 - 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 Municipal Manager 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 (a) If a bid other than the one recommended in the normal course of implementing this Policy is approved, the Municipal Manager must, in writing, notify the Auditor-General, the relevant provincial treasury and the National Treasury, of the reasons for deviating from such recommendation as required by section 114 of the Act.

- (b) The requirement outlined in 31 (7) (a) above does not apply if a different bid was approved in order to rectify an irregularity.

32 Procurement of banking services

- (1) A contract for banking services –
 - (a) must be procured through competitive bids;
 - (b) must not be procured abroad;
 - (c) must be procured from an institution registered as a bank in terms of the Banks Act, 1990 (Act No. 94 of 1990); and
 - (d) 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 23 (1) of this Policy. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

33 Procurement of IT related goods or services

- (1) The Municipal Manager 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) **Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.**

- (3) The Municipal Manager 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).
- (4) If a SITA comment on the submission and the municipality disagrees with such comments, the Municipal Manager must submit the comments and the reasons for rejecting or not following such comments to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

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

- (1) The Municipal Manager 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.

35 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 if 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 Municipal Manager.

36 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.

37 Appointment of consultants

- (1) The Municipal Manager must take into account any Treasury guidelines when procuring consulting services.
- (2) Consultancy services must be procured through competitive bids if
 - (a) the value of the contract exceeds R200 000 (VAT included); or
 - (b) the duration period of the contract exceeds one year.

- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
- (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The Municipal Manager must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.
- (5) **Availability of consultants during sittings of the public accounts committee (RESOLUTION NO 7/2008).**

All consultant must sign declaration that individual who will be performing accounting work with the municipality will be available through the duration of the project and affirm that the consultant commits themselves to cooperate and attend sittings of the Public Accounts Committee in relation to the accounting work performed at the municipality.

The Municipality will only issue appointment letter for any accounting work after both parties have signed the above mentioned declaration.

SEE ATTACHED DECLARATION

38 Deviation from, and ratification of minor breaches of, procurement processes

- (1) The Municipal Manager 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, one written quotation is to be obtained;

- (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The Municipal Manager must record the reasons for any deviations in terms of paragraphs 38 (1) (a) and 38 (1) (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) Paragraph 38 (2) of this Policy does not apply to the procurement of goods and services from another organ of state as contemplated in paragraph 3 (2) of this Policy.

39 Unsolicited bids

- (1) In accordance with section 113 (1) of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The Municipal Manager 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 Municipal Manager.
- (3) If the Municipal Manager decides to consider an unsolicited bid that complies with paragraph 39 (2) of this Policy, the decision must be made public through the media to the local community by means of publication in the local newspaper or newspapers of its area 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 Municipal Manager must submit all written comments received pursuant to paragraph 39 (3) of this Policy, including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Municipal Manager, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and

- (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Municipal Manager must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

40 Combating of abuse of supply chain management system

- (1) The Municipal Manager 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 the 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 the 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 the 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 willfully 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 Municipal Manager must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of paragraphs 40 (1) (b) (ii), 40 (1) (e) or 40 (1) (f) of this Policy.

PART 3

LOGISTICS MANAGEMENT REQUISITION, PURCHASE, RECEIPT AND ISSUE

OBJECTIVE

The objectives of the Requisition, Purchase, Receipt and Issue policy is to ensure:

- That the Municipality orders and receives only those goods and services which it requires and had budgeted for;
- Goods and services delivered/received are of a suitable quality and price;
- Effective store management procedures are in place;
- Goods and services are delivered timely; and
- Valid goods are issued timely to the correct end-user.

41 Logistics management

The Municipal Manager 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.

PART 4

LOGISTICS MANAGEMENT STORES MANAGEMENT

OBJECTIVE

The objective of the Stores Management policy is to ensure:

- The physical transfer (movement) of stock is controlled;
- That the stock is protected from damage, loss and theft; and
- Information required in calculating the value of stock is available and accurate.

42 Stores management

1. The following general principles apply to all **transfers**:
 - No movement of stock should take place without a written documented authority, for e.g. a signed material requisition. These documents are collectively known as transfer documents and includes, goods received notes, inter stores transfer notes and issue vouchers.
 - Wherever there is a transfer of stock both the deliverer and the receiver should sign the transfer document after having checked the description and quantity of the items being transferred against the source documents.
 - Transfer documents should be filed numerically;
 - Documents should be regularly reviewed by an independent person for authorising signature; and
 - Documents must be sequenced checked and missing documents investigated.

2. The following general principles apply to the storage of all goods:
- Goods shall be suitable stored and arranged in a manner, which will facilitate handling and checking. There shall be cross-references between the shelf and section where the stores are kept and the ledger or tally card concerned.
 - Precautions shall be taken for the prevention of damage of, or deterioration in the condition of goods. The section head or his/her delegate shall ensure that in his/her absence, buildings, premises and containers, which contain such items, are effectively locked or securely stored.
 - The section head or his/her delegate shall maintain proper record of all goods.
 - No unauthorised person shall obtain entry to premises, buildings or containers where goods are kept, unless accompanied by the responsible official.
 - The section head or his/her delegate in charge of goods shall take steps to ensure the safe custody thereof and shall take precautions against loss or theft.
 - Goods of inflammable or dangerous nature shall be stored and handled in such manner that persons or property are not endangered and, if stored in the are of jurisdiction of a local authority, this shall be done in accordance with the requirements of such local authority.
 - Fire extinguishing equipment shall be available in each store. Such apparatus shall be serviced regularly and the date of service indicated thereon.

3. The following general principles apply to the **stocktaking**:

- Frequent comparison and reconciliation of actual assets with theoretical assets is required to timeously identify discrepancies and initiated investigations. Preventative measures can then be put in place to reduce the possibility of the problem, which caused the discrepancy from re-occurring.
-
- Stores shall be subject to stocktaking at least once in every financial year at year-end. The prior written approval of the CFO is required to deviate from the annual stock counting date. **The Office of the Auditor General (OAG) should be provided with details of all stock takes to be conducted at least one calendar month in advance. Written acknowledgement by the OAG should be kept for audit purposes.**

PART 5 DISPOSAL MANAGEMENT

OBJECTIVE

To inform employees of the policy on the management, administration and control of disposal of movable municipal assets.

43 Disposal management

(1) Assets may be disposed of by –

A. Transfer to another institution in terms of a provision of the Act

- This method of disposal is selected by default in the event of changes in legislation or reorganisation of functions.
- The responsibility for each step, (pertaining to movable assets), is indicated in the following table:

Step	Responsibility
Draw up an inventory list of such affected assets.	The SCM unit
Provide the Accounting Authority/Officer for the receiving entity with substantiating documentation. <i>[Substantiating documentation is defined as documentary proof used/required to update a</i>	The SCM unit

Step	Responsibility
<i>departmental asset register.]</i>	
Signing of the inventory list on behalf of the Municipality.	MUNICIPAL MANAGER
Filing a copy of the signed inventory list with Municipality and Free State Office of the Auditor General.	Head of the SCM unit

B. Transfer to another institution at market related value

This method entails transferring the movable asset to another state institution at market related value. Market related value is the Rand value to be received from a third party at arms length in the open market.

C. Transfer to another institution free of charge

This method entails transferring the movable asset to another state institution free of charge. Should this method be chosen, the reasons for disposing the asset free of charge must be recorded and motivated by the Disposal Evaluation Committee and specifically approved by the MUNICIPAL MANAGER. The best interest of the state should be the deciding factor in all such cases.

D. Selling per price quotation / competitive bid

Under this method advertisements are placed in at least two local newspapers. The advertisement should provide for sufficient detail to elicit meaningful response from prospective bidders. Items should be available for inspection.

Factors to be considered when deciding whether to offer the goods for tender include:

- The value of the asset to be disposed;
- The age of the equipment;
- The general attractiveness to the wider group of buyers; and
- The prospect of increasing the net sale value compared to an alternate method of sale.

E. Selling per auction

Factors to be considered when deciding whether to offer the goods for tender include:

- The items are valued at less than the cost of disposing of the goods through bids;
- The items have been unsuccessful at price quotation / competitive bidding; and
- It is reasonable to believe the item will not attract bids.

F. Scrapping/Destroying such assets

Scrapping of assets is undertaken when it is considered uneconomical to proceed with disposal by any other means. Scrapping may be appropriate for items, which no longer have a sale value.

The SCM unit is responsible for the destroying of scrapped movable assets.

Movable assets identified as hazardous by the SCM unit should be disposed of in such a manner as to satisfy the requirements of the relevant acts, regulations and Municipal by-laws.

G. Trade in

If appropriate, store (inventory) items or assets may be traded in on purchase of new store (inventory) items or assets. In such cases the highest possible trade-in price is to be negotiated with the preferred supplier by the SCM unit. Details of the trade should also be noted on the purchase requisition, which must be prepared for the new item purchased. The order placed should be for the net amount, as charged against the vote. The actual value of the new item should, however, be reflected on the relevant register.

H. Salvage

Some movable assets identified for disposal may have reusable components and the Municipality may arrange for removal of this prior the application of another method of disposal. Alternatively, some items may no longer be functional and may be held for spare parts. In these cases such assets must be correctly accounted for (in the asset register) until being utilised.

(2) The Municipal Manager 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.
- (3) Removal of identification from the asset register

In regard to the disposal of movable assets of any type by any method, it is the responsibility of the SCM unit to ensure that the item and all parts of the item are completely cleansed of all the Municipality identification. This includes erasure of any electronic information.

PART 6 RISK MANAGEMENT

OBJECTIVE

To establish risk management within supply chain unit.

44 Risk management

(1) In the implementation of this Policy, the Municipal Manager must develop a risk management plan aimed at addressing the following factors:

- (a) the identification of risks on a case-by-case basis;
- (b) the assessment of risk to ascertain its likelihood and magnitude;
- (c) allocation of risks to the party best suited to manage such risks;
- (d) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- (e) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- (f) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
- (g) the actions for pre-empting and treating risk occurrence.

(2) In order reduce risk on contract; the Municipal Manager must include surety, retention, guarantee and penalty clauses in the contract agreements.

PART 7 PERFORMANCE MANAGEMENT

OBJECTIVE

Here a monitoring process takes place. Undertaking an intervening and retrospective analysis to determine whether the proper process is being followed, objectives are being achieved and to initiate corrective steps if required. The performance of both the SCM unit and the suppliers are measured.

45 Performance management

The Municipal Manager 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 8 OTHER MATTERS

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

- (1) The municipality shall not award a contract above R15 000 (Vat Included) to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the Municipal Manager must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of paragraph 45 (1) be presumed to be in order.

47 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 municipality.

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

The Municipal Manager 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.

49. Ethical standards

1. A code of ethical standards as is established for officials and other role players in the supply chain management system of the 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. A breach of the code of ethics must be dealt with as follows –
 - (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67 (1) (h) of the Municipal Systems Act;
 - (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.

50 Inducements, rewards, gifts and favours to municipal officials and other role players

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant -
 - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The Municipal Manager must promptly report any alleged contravention of paragraph 49 (1) to the National Treasury for consideration 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) Paragraph 49 (1) does not apply to gifts less than R350 in value.

51 Sponsorships

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

- (a) a provider or prospective provider of goods or services; or

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

52 Objections and complaints

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

53. Resolution of disputes, objections, complaints and queries

- (1) The Municipal Manager must appoint an independent and impartial person, not directly involved in the supply chain management processes –
 - (a) to assist in the resolution of disputes between the municipality and other persons regarding -
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
 - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
 - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and

- (b) submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
 - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.

- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

54 Contracts providing for compensation based on turnover

If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnovers for the service or the amount collected, the contract between the service provider and the municipality must stipulate –

- a) a cap on the compensation payable to the service provider; and
- b) that such compensation must be performance based.

55 Short title

This Policy is the Supply Chain Management Policy of the Thabo Mofutsanyane District Municipality.

56 Implementation

This Policy has been approved by Thabo Mofutsanyane District Municipality in terms of resolution.....dated.....and comes into effect from..... and this policy shall be reviewed on