

## Section 2: Terminology

### ABBREVIATIONS

AG	Auditor-General
AO	Accounting Officer – (Municipal Manager)
<u>BBBEEA</u>	<u>Broad Based Black Economic Empowerment Act</u>
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DTI	Department of Trade and Industry
<u>EME</u>	<u>Exempted Micro Enterprise</u>
HDI	Historically Disadvantaged Individual
IDP	Integrated Development Plan
IT	Information Technology
LCC	Life Cycle Costing
MFMA	Municipal Finance Management Act
MM	Municipal Manager (Accounting Officer)
MSA	Municipal Systems Act
MTEF	Medium Term Expenditure Framework
NIPP	National Industrial Participation Programme
PCCAA	Prevention and Combating of Corrupt Activities Act, 2004
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
RDP	Reconstruction and Development Programme
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
<u>SANAS</u>	<u>South African National Accreditation Agency</u>
SAPS	South African Police Services
SARS	South African Revenue Services
SBD	Standard Bidding Documents
SCM	Supply Chain Management
SCM Unit	Supply Chain Management Unit
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprise
SP	Service Provider

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<b>TCO</b>	Total Cost of Ownership
<b>TOR</b>	Terms of Reference

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### DEFINITIONS

<b>A-class Items</b>	A-class items are those items that are not consumable or expendable.
<b>Acquisition management</b>	<p>Acquisition management is the process of procurement of goods or services and includes the:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Identification of preferential policy objectives;</li> <li><input type="checkbox"/> Determination of market strategy;</li> <li><input type="checkbox"/> Application of depreciation rates;</li> <li><input type="checkbox"/> Application of total cost of ownership principle;</li> <li><input type="checkbox"/> Compilation of bid documentation, including conditions;</li> <li><input type="checkbox"/> Determination of evaluation criteria;</li> <li><input type="checkbox"/> Evaluation of bids and tabling of recommendations;</li> <li><input type="checkbox"/> Compilation and signing of contract documents;</li> <li><input type="checkbox"/> Contract administration.</li> </ul>
<b>Affordable</b>	<p>Affordable in relation to a PPP agreement, means that the financial obligations to be incurred by a municipality in terms of the agreement can be met by:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Funds designated in the municipality's budget for the current year for the activity outsourced in terms of the agreement;</li> <li><input type="checkbox"/> Funds destined for that activity in accordance with the future budgetary projections of the municipality;</li> <li><input type="checkbox"/> Any allocations of the municipality;</li> <li><input type="checkbox"/> Or a combination of such funds and allocations.</li> </ul>
<b>Asset</b>	<p>It is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> It possesses service potential or future economic benefit that is expected to flow to the entity.</li> <li><input type="checkbox"/> It is controlled by the entity.</li> <li><input type="checkbox"/> It originates as a result of a past transaction or event.</li> </ul>
<b>Buy out</b>	Pay someone to give up an ownership.
<b>Competitive bid</b>	Means a bid in terms of a competitive bidding process.
<b>Competitive bidding process</b>	Means a competitive bidding process referred to in section 11 of this policy.
<b>Current asset (inventory-perishable goods)</b>	An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.
<b>Customer service</b>	It is the process of serving customers in accordance with acceptable, pre-determined standards in such a manner that it increases customer satisfaction and minimises times and costs.
<b>Demand management</b>	Demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs.

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<b>Depreciation</b>	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit is arrived at.
<b>Disposal management</b>	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with movable assets in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.
<b>E-class accountable</b>	Accounting in respect of those stores approved by the relevant Treasury as consumables.
<b>E-class items</b>	E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable.
<b>Economic principle</b>	Obtain the highest possible output for the lowest possible use of resources.
<b>Economy of scale</b>	Reductions in the average cost of a product in the long run, resulting from an expanded level of output
<b>Equipment</b>	A-class accountable stores that are issued and accounted for on an inventory.
<b>Final award</b>	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
<b>Formal written price quotation</b>	Means quotations referred to in section 11 of this policy.
<b>Historically disadvantaged individual</b>	<p>Historically Disadvantaged Individual (HDI) means a South African citizen who:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no 200 of 1993)(“the Interim Constitution”); and/or</li> <li><input type="checkbox"/> Is female and/or</li> <li><input type="checkbox"/> Has a disability.</li> </ul> <p>Provided that a person, who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.</p>
<b>Immovable assets</b>	All non-produced, non-financial tangible assets, namely land, subsoil assets, water resources and some fixed tangible assets namely fixed structures (bridges, houses and roads).
<b>Intangible assets</b>	Intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.
<b>Integrated SCM</b>	The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimising the total cost of SCM elements.
<b>In the service of the state</b>	<p>Means to be:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> A member of <ul style="list-style-type: none"> <li>▪ Any municipal council,</li> <li>▪ Any provincial legislature; or</li> <li>▪ The National Assembly or the national Council of Provinces.</li> </ul> </li> <li><input type="checkbox"/> A member of the board of directors of any municipal entity.</li> </ul>

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	<ul style="list-style-type: none"> <li><input type="checkbox"/> An official of any municipality or municipal entity.</li> <li><input type="checkbox"/> 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).</li> <li><input type="checkbox"/> A member of the accounting authority of any national or provincial public entity; or</li> <li><input type="checkbox"/> An employee of Parliament or a provincial legislature.</li> </ul>
<b>Inventories</b>	Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.
<b>Inventory (movable assets) management</b>	It shall be possible to determine accountability for all A-class-accountable items at all times. Records shall therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts shall therefore be maintained for all A-class items.
<b>Items</b>	An individual article or unit.
<b>Lifecycle costing</b>	Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
<b>List of accredited prospective providers</b>	Means a list of accredited prospective providers which a municipality or municipal entity must keep in terms of Section 4 of this policy.
<b>Logistics management</b>	Logistics management ensure that goods and services are available at the right place, time and quantities required to execute the functions of the municipality.
<b>Long term contract</b>	Means a contract with a duration period exceeding one year.
<b>Measurable objectives</b>	Measurable objectives identify very specific things that the municipality intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
<b>Movable assets</b>	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc). All inventories and valuables and most fixed assets belong to this category.
<b>Municipal functions</b>	Means: <ul style="list-style-type: none"> <li><input type="checkbox"/> A municipal service.</li> <li><input type="checkbox"/> Any other activity within the legal competence of a municipality.</li> </ul>
<b>Municipal property</b>	In relation to a municipality, includes any movable, immovable or intellectual property, owned by or under the control of: <ul style="list-style-type: none"> <li><input type="checkbox"/> A municipality; or</li> <li><input type="checkbox"/> A municipal entity under the sole or shared control of the municipality.</li> </ul>
<b>Net present</b>	The sum that results when the discounted value of the expected costs

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<b>value (NPV)</b>	of an investment are deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
<b>Obsolete</b>	No longer produced or used, out of date, to become obsolete by replacing it with something new.
<b>Official</b>	Official means: <ul style="list-style-type: none"> <li><input type="checkbox"/> An employee of a municipality;</li> <li><input type="checkbox"/> A person seconded to a municipality to work as a member of the staff of the municipality;</li> <li><input type="checkbox"/> A person contracted to a municipality to work as a member of the staff of the municipality otherwise than as an employee.</li> </ul>
<b>Operation and maintenance plan</b>	The objective of operation and maintenance plans is to ensure assets remain appropriate to programme requirements, are efficiently utilised, and are maintained in the necessary condition to support programme delivery at the lowest possible long-term cost.
<b>Other applicable legislation</b>	Means any other legislation applicable to municipal supply chain management, including: <ul style="list-style-type: none"> <li><input type="checkbox"/> The Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000).</li> <li><input type="checkbox"/> The Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003).</li> <li><input type="checkbox"/> The Construction Industry Development Board Act, 2000 (Act No 38 of 2000).</li> </ul>
<b>Over-utilisation</b>	Over-utilisation can have adverse affects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs.
<b>Practitioner</b>	A person who practises a profession or art.
<b>Private party</b>	In terms of a PPP, excludes: <ul style="list-style-type: none"> <li><input type="checkbox"/> A municipality;</li> <li><input type="checkbox"/> A municipal entity; or</li> <li><input type="checkbox"/> An organ of state, including an institution listed in any of the schedules of the Public Finance Management Act, 1999 (Act 1 of 1999).</li> </ul>
<b>Procedures</b>	Policies are carried out by means of more detailed guidelines called "standard methods". A series of actions conducted in a certain order or manner.
<b>Process</b>	A series of actions or steps towards achieving a particular end.
<b>Project management</b>	Project management is the planning, directing and controlling of an organisation's resources over a short term to ensure that specific objectives are successfully met.
<b>Provider</b>	A provider is the private person or institution that provides supplies, services or works to the Government.
<b>Public-private partnership</b>	Means a commercial transaction between a municipality and a private party in terms of which the private party: <ul style="list-style-type: none"> <li><input type="checkbox"/> Performs a municipal function on behalf of a municipality.</li> <li><input type="checkbox"/> Acquires the use of municipal property for its own commercial purposes.</li> </ul>

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	<ul style="list-style-type: none"> <li>❑ Performs both a municipal function and acquires the use of municipal property as referred to above.</li> <li>❑ Assumes substantial financial, technical and operational risks in connection with the performance of the municipal function or use of municipal property</li> <li>❑ Receives a benefit for performing a municipal function or from utilising municipal property, by way of: <ul style="list-style-type: none"> <li>▪ Consideration to be paid by the municipality.</li> <li>▪ Charges or fees to be collected by the private party from users or customers of a service provided to them.</li> <li>▪ A combination of the above.</li> </ul> </li> </ul>
<b>Quittance</b>	The acknowledgement by the recipient of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.
<b>Redundant</b>	No longer needed or useful, superfluous (unnecessary).
<b>SCM Regulations</b>	Means the Local Government: Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations.
<b>Renewal</b>	Replace or restore (something broken or worn out).
<b>Risk management</b>	Risk management may be defined as the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
<b>Rules</b>	Rules are statements that a specific action must or must not be taken in a given situation.
<b>Salvage</b>	The Act of saving any goods or property in danger of damage or destruction.
<b>SMME</b>	Means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria opposite the smallest relevant size or class.
<b>Sourcing</b>	Find out where to obtain.
<b>Stores/stock</b>	All movable state property/assets that are kept in stock for issue purposes.
<b>Strategic goals</b>	Strategic goals are areas of organisational performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the organisation.
<b>Strategic objectives</b>	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what the municipality intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or “results” of actions that the municipality intends taking.
<b>Treasury guidelines</b>	Means the guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.
<b>The MFMA</b>	Means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
<b>Under-</b>	Under-utilisation will increase the unit cost of programme delivery and

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<b>utilisation</b>	may prompt the purchase of new assets when they are not required.
<b>Value for money</b>	In relation to public-private partnership agreements, means that the performance of a private party in terms of the agreement will result in a net benefit to the municipality in terms of cost, price, quality, quantity, risk transfer or any combination of those factors.
<b>Written or verbal quotations</b>	Means quotations referred to in section 11 of this policy.
<b>ADDITIONS TO DEFINITIONS</b>	
<b>Agreement</b>	In relation to a prohibited Practice in terms of the Competition Act 89 of 1998 as amended, includes a contract, arrangement or understanding, whether or not legally enforceable
<b>Concerted practice</b>	means co-operative, or coordinated conduct between <i>firms</i> , achieved through direct or indirect contact, that replaces their independent action, but which does not amount to an <i>agreement</i>
<b>Horizontal relationship</b>	means a relationship between competitors



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### **1 THE CONSTITUTION**

- 1.1 In establishing a SCM policy document, the organ of state must produce a document that complies with section 217 of the Constitution of the Republic of South Africa, Act No 108 of 1996, as amended, which reads as follows:
- 1.2 “217(1) When an Organ of State in the national, provincial or local sphere of Government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
- 1.3 Subsection (1) does not prevent the Organs of State or institutions referred to in the subsection from implementing a procurement policy providing for:
- 1.3.1 Categories of preference in the allocation of contracts; and
- 1.3.2 The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- 1.4 National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.”

### **2 THE MUNICIPAL FINANCE MANAGEMENT ACT**

- 2.1 The Municipal Finance Management Act, Act No 56 of 2003, sets out the responsibilities of the municipality’s Accounting Officer and highlights a number of aspects impacting on supply chain management. The main aspects pertaining to supply chain management are as indicated hereunder.
- 2.1.1 Section 2 stipulates that municipalities must establish norms and standards and other requirements for:
- 2.1.1.1 Ensuring transparency, accountability and appropriate lines of responsibility.
- 2.1.1.2 The management of their revenues, expenditures, assets and liabilities.
- 2.1.1.3 Supply chain management.
- 2.1.2 Section 14 stipulates a municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- 2.1.3 Section 19 stipulates a municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- 2.1.4 Section 63(1)(a) stipulates that the AO of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.
- 2.1.5 Section 63(2)(c) stipulates that the municipality has and maintains a system of internal control of assets, including an asset register, as may be prescribed.

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- 2.1.6 Section 81(1)(e) and (2) stipulates that the CFO is responsible for SCM and is accountable to the AO.
- 2.1.7 Section 111 stipulates that each municipality must have and implement a SCM policy.
- 2.1.8 Section 112 stipulates that the SCM policy must be fair, equitable, transparent, competitive and cost-effective.
- 2.1.9 Section 113 stipulates that a municipality is not obliged to consider an unsolicited bid received outside its normal bidding process.
- 2.1.10 Section 114 stipulates if a bid other than the one recommended in the normal course of implementing the SCM policy, is approved, the AO must, in writing, notify the AG, the provincial and national treasury, of the reasons for deviating from such recommendation.
- 2.1.11 Section 115 which stipulates that the AO must:
- 2.1.11.1 Implement the SCM policy.
- 2.1.11.2 Take all reasonable steps to ensure that proper mechanisms and separation of duties in the SCM system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.
- 2.1.12 Section 116 stipulates that a contract or agreement procured through the supply chain management system must be in writing and stipulate the terms and conditions of the contract or agreement.
- 2.1.13 Section 117 stipulates that no councillor of the municipality may be a member of a Municipal Bid Committee or any other committee evaluating or approving bids, quotations, contracts or other bids, nor attend any such meeting as an observer.
- 2.1.14 Section 118 stipulates that no person may interfere with the SCM system or amend or tamper with any bids, quotations, contracts or bids after their submission.
- 2.1.15 Section 119 stipulates that the AO and all other officials involved in the implementation of the SCM policy must meet the prescribed competency levels.
- 3 REGULATIONS IN TERMS OF SECTION 168 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT**
- 3.1 The purpose of the Regulations in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) is:
- 3.1.1 To cover the establishment of SCM policies and

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- 3.1.2 To provide a framework for SCM policies.
- 3.2 The aspects of SCM are:
  - 3.2.1 It stipulates that each municipality must have and implement a SCM policy.
  - 3.2.2 The council must delegate such supply chain management powers and duties to the AO.
  - 3.2.3 Each municipality must establish a SCM unit (SCMU) to implement its supply chain management policy. The SCM Unit must, where possible operate under the direct supervision of the CFO.
  - 3.2.4 The training of officials involved in implementing a supply chain management policy should be in accordance with any guidelines issued by the National Treasury.
  - 3.2.5 The SCM system must provide effective systems for the following:
    - 3.2.5.1 Demand management.
    - 3.2.5.2 Acquisition management.
    - 3.2.5.3 Logistics management.
    - 3.2.5.4 Disposal management.
    - 3.2.5.5 Risk management
    - 3.2.5.6 Performance management.

### **4 LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT**

- 4.1 The purpose of the Local Government: Municipal Systems Act, Act No 32 of 2000, is:
  - 4.1.1 To provide for the core principles, mechanisms and processes that is necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all.
  - 4.1.2 To define the legal nature of a municipality as including the local community within the municipal area, working in partnerships with the municipality's political and administrative structures.
  - 4.1.3 To provide for the manner in which municipal powers and functions are exercised and performed.
  - 4.1.4 To provide for community participation.

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- 4.1.5 To establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government.
- 4.1.6 To provide a framework for local public administration and human resource development.
- 4.1.7 To empower the poor and ensure that municipalities put in place service tariffs and credit control policies that take their needs into account by providing a framework for the provision of services, service delivery agreements and municipal service districts.
- 4.1.8 To provide for credit control and debt collection.
- 4.1.9 To establish a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment.
- 4.1.10 To provide for legal matters pertaining to local government and to provide for matters incidental thereto.

## **5 THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (PPPFA) AND ITS REGULATIONS**

- 5.1 The Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000 and its regulations issued in August 2001, was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution.
- 5.2 The following are the key elements noted in the Act and regulations:
  - 5.2.1 The Municipality must determine its preferential procurement policy within the framework of the legislation.
  - 5.2.2 A preference point system must be followed.
  - 5.2.3 The 90/10 principle must be applied for contracts with the Rand value above R500 000-R 1 million.
  - 5.2.4 The 80/20 principle must be applied for contracts from the Rand value of R30 000 and up to the Rand value of R500 000-R 1 million.
  - 5.2.5 Specific goals may include:
    - 5.2.5.1 Contracting with persons or categories of persons historically disadvantaged because of race, gender or disability.
    - 5.2.5.2 Promoting RDP goals: local local production and content.

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5.2.6 Functionality and price may be evaluated.

5.2.7 Tax affairs of companies must be in order.

~~5.3 A revised PPPFA has been published for comment, but it is unclear when this will be promulgated.~~

### **6 THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT (BBBEE ACT)**

6.1 The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published.

6.2 Black Economic Empowerment (BEE) is defined as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and bring about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.

6.3 The strategy is underpinned by the following principles:

6.3.1 BEE is broad-based in that it seeks to accelerate the de-racialisation of the economy and fast track the re-entry of historically marginalized communities into the mainstream of the economy.

6.3.2 BEE is an inclusive process that includes all enterprises operating within South Africa.

6.3.3 BEE is part of a growth strategy for a more equitable economy that will benefit all South Africans, individuals and enterprises. As such it stresses growth and enterprise development, including new enterprises and not only the redistribution of existing wealth.

6.4 Progress of the BEE is to be measured by a balanced scorecard that provides a framework against which to benchmark the BEE process in different enterprises and sectors.

6.5 Economic empowerment of black people including women, workers, youth and people with disabilities and people living in rural areas will be promoted through preferential procurement in order to enable meaningful participation in the economy.

~~6.6 The Minister of Trade and Industry may develop broad-based charters to promote BEE, and issue codes of practice that could include qualification criteria for preferential procurement and other economic activities.~~

### **7 THE KING REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2002**

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- 7.1 The municipality will subscribe to the Code of Corporate Practices Conduct in all material respects as it affects supply chain management.
- 7.2 The Report concludes that successful governance requires organisations to adopt an inclusive approach and there must be greater emphasis on the sustainable or non-financial aspects of its performance.
- 7.3 The tests of fairness, accountability, responsibility and transparency to all acts or omissions and be accountable to the organisation, but also responsive and responsible towards the organisation's stakeholders must be applied.
- 7.4 The Report describes the principles of risk management, ethical conduct, black economic empowerment and social investment prioritisation and spending.

### **8 THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT**

- 8.1 The Municipality will adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004 as it affects the supply chain process.
- 8.2 The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance of any gratification and the improper influence of another person as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders.

### **9 THE NATIONAL SMALL ENTERPRISE ACT**

- 9.1 The National Small Enterprise Act, Act No 102 of 1996, as amended, establishes structures to promote small enterprises. The main functions are inter alia:
  - 9.1.1 To expand, coordinate and monitor the provision of training, advice, counselling and any other non-financial services to small enterprise in accordance with the National Small Enterprise Support Strategy.
  - 9.1.2 To consult with any organ of government, the NSBC or a service provider in order to inter alia:
    - 9.1.2.1 Facilitate the provision of business advice and counselling services to small enterprises.
    - 9.1.2.2 Facilitate national market access for products and services of small enterprises.
    - 9.1.2.3 Generally strengthen the capacity of service providers to support small enterprises and small enterprises to compete successfully in the economy.
  - 9.1.3 To enable small enterprises to compete successfully in the economy, the procurement policies and practices influence the economic behaviour of small enterprises, and therefore during the procurement process, it is important to implement guidelines to promote small enterprises.

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**10 STATE INFORMATION TECHNOLOGY AGENCY (SITA) ACT**

10.1 The State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended by Act 38 of 2002, requires that SITA must act as the procurement agency for every department's information technology requirements. This act prescribes that all municipalities are compelled to procure all information technology through SITA.

**11 PUBLIC-PRIVATE PARTNERSHIPS**

11.1 Whatever goods, works and/or services are procured by means of public private partnerships, Chapter 11, Part 2 of the MFMA as well as the Municipal Public-Private Partnership Regulations, must be adhered to.

~~11.12~~ COMPETITION ACT

11.2 12.1 The Competition Act No. 89 of 1998, as amended, prohibits an agreement between, or concerted practice by firms, or a decision by an association of firms, if it is between parties in a horizontal relationship and if it involves collusive bidding (or bid rigging).

~~12.13~~ **OTHER APPLICABLE BY-LAWS, ORDINANCE OR LEGISLATION**

~~12.13.1~~ All other applicable by-laws, ordinances or legislation impacting on SCM must be taken into account.

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### **1 AIM AND PURPOSE**

- 1.1 To have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain operation when sourcing and procuring goods, services and works as well as the sale and letting of assets that conforms to constitutional and legislative principles and maximises the benefits from its consolidated buying power in the market place.
- 1.2 To ensure the efficient, effective and uniform disposal of assets through the procurement process.
- 1.3 The Maluti-a-Phofung Municipality must manage its financial and administrative resources in such a manner to meet and sustain its supply chain goals.
- 1.4 The Maluti-a-Phofung Municipality must create a preferential procurement system that will encourage, promote and achieve social-economic objectives and good governance.

### **2 SUPPLY CHAIN MANAGEMENT POLICY**

- 2.1 The Maluti-a-Phofung Local Municipality resolves in terms of section 111 of the MFMA to have and implement a supply chain management policy that:
  - 2.1.1 Gives effect to:
    - 2.1.1.1 Section 217 of the Constitution; and
    - 2.1.1.2 Part 1 of Chapter 11 and other applicable provisions of the MFMA.
  - 2.1.2 Is fair, equitable, transparent, competitive and cost effective.
  - 2.1.3 Complies with:
    - 2.1.3.1 The regulatory framework prescribed in Chapter 2 of the [Local Government: Municipal Supply Chain Management SCM-Regulations, 2005](#) and
    - 2.1.3.2 Any minimum norms and standards that may be prescribed in terms of section 168 of the Act.
  - 2.1.4 Is consistent with other applicable legislation.
  - 2.1.5 Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres, and
  - 2.1.6 Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.



## *Section 4: Aim and Purpose*

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- 2.2 The municipality may not act otherwise than in accordance with this supply chain management policy when:
  - 2.2.1 Procuring goods or services.
  - 2.2.2 Disposing of goods no longer needed.
  - 2.2.3 Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies.
  - 2.2.4 In the case of the municipality, selecting 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.
- 2.3 Subparagraphs 2.1 and 2.2 of this policy do not apply in the circumstances described in section 110(2) of the Act except where specifically provided otherwise in this policy.

### **3 ADOPTION AND AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY**

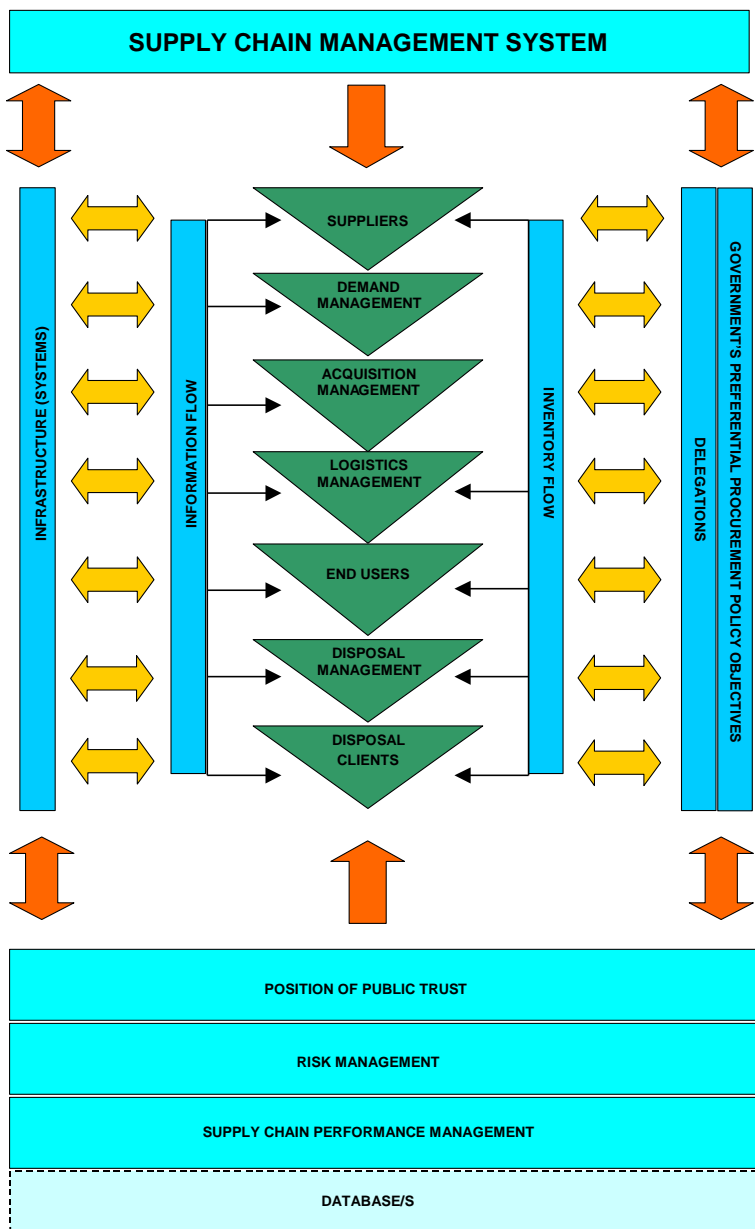
- 3.1 The Accounting Officer must:
  - 3.1.1 At least annually review the implementation of this policy.
  - 3.1.2 When the Accounting Officer considers it necessary, submit proposals for the amendment of this policy to the council.
- 3.2 If the Accounting Officer submits a draft policy to the council that differs from the model policy, the Accounting Officer must ensure that such draft policy complies with the Regulations. The Accounting Officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- 3.3 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.
- 3.4 The Accounting Officer of the municipality in terms of section 62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.
- 3.5 All new treasury guidelines to the implementation of this policy will be implemented as per treasury requirements and submitted to council for noting.

Section 5: Establishment

1. THE SUPPLY CHAIN MANAGEMENT SYSTEM

1.1 The supply chain management system can be seen as an integrated system, taking into account suppliers, clients, information and inventory flow.

1.2 The diagram below illustrates how the main functions are interlinked.



## *Section 5: Establishment*

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### **2. SUPPLY CHAIN MANAGEMENT UNIT**

- 2.1 The Accounting Officer must establish a supply chain management unit (SCM Unit) to implement this supply chain management policy.
- 2.2 The SCM Unit must, where possible, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.
- 2.3 The supply chain management unit provides for the following systems:
  - 2.3.1 Demand management.
  - 2.3.2 Acquisition management.
  - 2.3.3 Logistics management.
  - 2.3.4 Disposal management.
  - 2.3.5 Risk management.
  - 2.3.6 Performance management.

### **3 TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS**

- 3.1 The Accounting Officer and all other officials of the municipality involved in the implementation of the supply chain management policy of the municipality must meet the prescribed competency levels.
- 3.2 The municipality must for the purposes of par 3.1 provide resources or opportunities for the training of officials referred to, to meet the prescribed competency levels.
- 3.3 The National Treasury or the Provincial Treasury may assist the municipality in the training of officials.
- 3.4 The training of officials involved in implementing this supply chain management policy should be trained in accordance with any guidelines issued by National Treasury.

## *Section 6: Authority to Execute*

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### **1 GENERAL**

1.1 All supply chain activities will be executed in accordance with pre-established levels of authority through delegations to ensure control and division of responsibility.

1.2 Any activity to be executed must be done in accordance with a delegation. These delegations must be in writing and contained in the Municipality's delegation document.

### **2 DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES**

**2.1** The Accounting Officer ~~of the municipality:~~

2.1.1 Must develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration.

2.1.2 May, in accordance with that system, delegate to a member of the municipality's top management or any other official of the municipality:

2.1.2.1 Any of the powers or duties assigned to the Accounting Officer in terms of the Act.

2.1.2.2 Any powers or duties reasonably necessary to assist the Accounting Officer in complying with a duty which requires the Accounting Officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of the Act.

2.1.3 Must regularly review delegations issued in terms of its authority and, if necessary, amend or withdraw any of those delegations.

2.2 The Accounting Officer may not delegate to any political structure or political office-bearer of the municipality any of the powers or duties assigned to Accounting Officers in terms of the Act.

2.3 A delegation in terms of the above:

2.3.1 Must be in writing.

2.3.2 Is subject to such limitations and conditions as the Accounting Officer may impose in a specific case.

2.3.3 May either be to a specific individual or to the holder of a specific post in the municipality.

2.3.4 May, in the case of a delegation to a member of the municipality's top management authorise that member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility.

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## *Section 6: Authority to Execute*

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2.3.5 Does not divest the Accounting Officer of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.

2.4 The Accounting Officer may confirm, vary or revoke any decision taken in consequence of a delegation or sub-delegation in terms of this section, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

2.5 The Municipal Council may delegate to the Accounting Officer its power to transfer ownership or otherwise dispose of a capital asset in respect of movable capital assets below a value determined by the Council, but only after the Municipal Council, in a meeting open to the public:

2.5.1 Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.

2.5.2 Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

2.6 The Council of the Municipality must delegate such supply chain management powers and duties to the Accounting Officer in order to enable the Accounting Officer to:

2.6.1 Maximise administrative and operational efficiency in the implementation of the supply chain management policy.

2.6.2 To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy.

2.6.3 To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the MFMA.

2.7 No supply chain management powers and duties may be delegated or sub-delegated to:

2.7.1 A person who is a Councillor of any municipality.

2.7.2 A committee of which a Councillor of any municipality is a member.

2.7.3 A person who is not an official of the municipality.

2.7.4 A committee which is not exclusively composed of officials of the municipality.

2.8 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 section 7, of this policy.

2.8

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## *Section 6: Authority to Execute*

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### **3 SUB-DELEGATIONS**

3.1 The Accounting Officer may in terms of section 79 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this policy.

3.2 The power to make a final award:

3.2.1 Above R10 million (VAT included) may not be sub-delegated by the Accounting Officer.

3.2.2 Above R2 million (VAT included), but not exceeding R10 million (VAT included) may be sub-delegated but only to:

3.2.2.1 The chief financial officer.

3.2.2.2 A senior manager.

3.2.2.3 A bid adjudication committee of which the chief financial officer or a senior manager is a member.

3.2.3 Not exceeding R2 million (VAT included) may be sub-delegated but only to:

3.2.3.1 The chief financial officer.

3.2.3.2 A senior manager.

3.2.3.3 A manager directly accountable to the chief financial officer or a senior manager.

3.2.3.4 A bid adjudication committee.

3.3 An official or bid adjudication committee to which the power to make final awards has been sub-delegated must within five days of the end of each month submit to the official referred to in subparagraph 3.4 of this policy a written report containing particulars of each final award made by such official or committee during that month, including:

3.3.1 The amount of the award.

3.3.2 The name of the person to whom the award was made.

3.3.3 The reason why the award was made to that person.

3.4 A written report referred to in section 6, subparagraph 3.3 of this policy must be submitted:

3.4.1 To the Accounting Officer, in the case of an award by:

3.4.1.1 The chief financial officer.

## *Section 6: Authority to Execute*

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3.4.1.2 A senior manager.

3.4.1.3 A bid adjudication committee of which the chief financial officer or a senior manager is a member.

3.4.2 The chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by:

3.4.2.1 A manager referred to in section 6, subparagraph 3.2.3.3 of this policy.

3.4.2.2 A bid adjudication committee of which the chief financial officer or a senior manager is not a member.

3.5 Subparagraphs 3.3 and 3.4 of this policy do not apply to procurement out of petty cash.

3.6 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 section 7, of this policy.

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

3.8 All delegations must be in writing to individual officials in top or senior management.

## **4 DELEGATION OF DUTIES AND RESPONSIBILITIES**

4.1 Uninterrupted determination of responsibility and accountability should be maintained at all times to ensure that the supply chain is managed efficiently. It is imperative that the duties and responsibilities of every member of the SCM Unit be clearly defined and delegated.

### **4.2 Responsibility**

4.2.1 Responsibility must be clearly delegated in writing. Formal acceptance of the delegated duties and responsibilities is also required if it is to be binding.

4.2.2 For an official to accept responsibility he/she has to receive formal training to execute the responsibilities and duties bestowed upon him/her. Any delegation should include referrals to the various policies/procedures for which execution the delegate is held responsible. Where necessary, post incumbents should receive on the job training to enhance their proficiency.

### **4.3 Authority**

4.3.1 Duties and responsibilities cannot be successfully executed without proper authority. The individual, to whom duties and responsibilities have been

## *Section 6: Authority to Execute*

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4.3.2 delegated, must have the mandate to give orders and the authority to enforce obedience within the organisational parameters for proper conduct. The person must therefore be empowered to exercise the rights and to use the discretion assigned to a position.

4.3.3 The following types of authority can be delegated:

4.3.2.1 Executive authority to make defined decisions without referral to higher authority.

4.3.2.2 Authority to make recommendations.

4.3.2.3 Authority to agree with a decision before it comes mandatory.

4.3.2.4 The authority to be informed.

4.3.3 Authority must therefore be clearly defined and delegated in writing. Formal acceptance of the delegated authority is also required if it is to be binding.

### **4.4 Accountability**

4.4.1 The delegation of responsibilities and authority creates the obligation and liability to perform duties properly and in accordance with regulations. Delegation to a lower level within the municipality does not diminish the accountability vested in the higher levels within the municipality. It is therefore clear that accountability is created at every level, but can never be delegated.

### **4.5 Influence of expertise on delegations**

4.5.1 A function or task may only be delegated to a qualified and competent official. Accountability cannot be established if it is known that the person to be delegated to is not competent or qualified to execute the task.

4.5.2 A gradual delegation of responsibilities can be considered as the expertise seated in any decentralised offices increases through experience and training.

## **5 PARTICIPATION OF ADVISORS**

5.1 The Accounting Officer may procure the services of advisors to assist in execution of the supply chain management function, provided that:

5.1.1 The appointment may only be made through a competitive bidding process.

5.1.2 No advisor may participate in the final decision-making process regarding the award of bids.

5.1.3 No decision-making authority may be delegated to an advisor.



## *Section 7: Roles and Responsibilities*

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### **1. SUPPLY CHAIN FOCUS**

1.1 The roles and responsibilities of all the structures hereunder are defined only from the perspective of supply chain management.

### **2. OVERSIGHT ROLE OF THE COUNCIL**

2.1 The Municipal Council of ~~the municipality~~ Maluti-A-Phofung must maintain an oversight over the implementation of its supply chain management policy to ensure that it is within the ambit of the applicable legislation.

2.1.1 The Accounting Officer must, within 30 days of the end of financial year or whenever there are serious and material problems in the implementation of the supply chain management policy, submit reports on the implementation of the supply chain management to the Council of the municipality.

2.1.2 The Accounting Officer must within 10 days after the end of each quarter submit a report on the implementation of supply chain management policy to the mayor.

2.1.3 The reports must be made public in accordance with section 21A of the Municipal Systems Act.

### **3. ROLE OF THE ACCOUNTING OFFICER**

3.1 The Accounting Officer must:

3.1.1 Implement a supply chain management policy for the municipality.

3.1.2 Take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

3.2 The Accounting Officer of the municipality is responsible for the preparation and submission of the draft supply chain management policy to the Council of the municipality for adoption.

3.3 The Accounting Officer must establish the following bid committees:

3.3.1 A bid specification committee.

3.3.2 A bid evaluation committee.

3.3.3 A bid adjudication committee.

3.4 The Accounting Officer must appoint the members of each committee, taking into account:

3.4.1 That no Councillor may be a member of a municipal bid committee or any other committee evaluating or approving bids, quotations or contract, nor attend such meeting as an observer.

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*Section 7: Roles and Responsibilities*

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3.4.2 No person may:

3.4.2.1 Interfere with the supply chain management system.

3.4.2.2 Amend or tamper with any bids, quotations, and contracts after their submission.

3.5 The committee system must be consistent with:

3.5.1 The MFMA.

3.5.2 The Preferential Procurement Policy Framework Act and its Regulations.

3.5.3 The Broad-based Black Economic Empowerment Act and its Strategy.

3.6 Provide for an attendance or oversight process by a neutral or independent observer, appointed by the Accounting Officer, when this is appropriate for ensuring fairness and promoting transparency.

3.7 The Accounting Officer may apply the committee system to formal written price quotations.

3.8 The Accounting Officer may procure goods and services for the municipality by utilising the committee system of another municipality or municipal entity in terms of an agreement with that other municipality or municipal entity.

3.8

4. ROLE OF THE CHIEF FINANCIAL OFFICER (CFO)

4.1 The Chief Financial Officer shall be the custodian of SCM policy and report progress regarding the implementation of the supply chain management and supply chain management policy to the Accounting Officer who will report to council.

4.2 The CFO shall be responsible for the overall management of the supply chain management unit

4.3 The CFO shall be responsible to ensure that the supply chain management policy is adhered to.

4.4 The CFO shall be responsible to ensure that all employees involved in the supply chain management process receive the necessary training and support to implement the SCM Policy.

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## Section 7: Roles and Responsibilities

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4.5 Responsible to determine the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the municipality.

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4.6 Shall approve all applications of service providers for possible inclusion in the register of service providers (service providers' data base).

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### 4.5. ROLE OF BID SPECIFICATION COMMITTEES

#### 4.15.1 COMPOSITION

4.1.15.1.1 Bid specification committees may be established on requirement.

4.1.25.1.2 Each committee must be composed of:

4.1.2.15.1.2.1 One or more officials from the municipality and preferably from user departments requiring goods or services.

4.1.2.25.1.2.2 Supply chain practitioners may also be asked to be present.

4.1.2.35.1.2.3 May, where appropriate, include external technical specialists.

4.1.35.1.3 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.

#### 4.25.2 RESPONSIBILITIES

4.2.15.2.1 To compile the specifications for each procurement of goods or services by the municipality.

4.2.25.2.2 Specifications -

4.2.2.1 Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.

4.2.2.2 Must take account of any accepted standards such as those issued by standard South Africa, the international standard organisation, or an authorised accredited or recognised by the South African National Accreditation System with which the the equipment or material or workmanship should comply.

4.2.2.3 Must where possible, be described in terms of performance required rather than In terms of descriptive characteristics.

4.2.2.4 May not create trade barriers in contract requirements in the form of specification, plans, drawing, designs, testing and test method, packaging, marking or labelling of conformity certification.

## *Section 7: Roles and Responsibilities*

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- 4.2.2.5 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.
- 4.2.2.6 Must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations of 2001.
- 4.2.2.7 Must be approved by the Accounting Officer/his delegate prior to publication of the invitation for bids.
- 4.2.3 A bid specification committee must be composed of one or more officials of the Municipality preferably the manager responsible for the function and may when appropriate, include external specialist advisors.
- 4.2.4 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

### **5-6. ROLE OF BID EVALUATION COMMITTEE**

#### **5-16.1 COMPOSITION**

5-1-16.1.1 The Committee must so far as it may be possible:

5-1-1-16.1.1.1 Be cross-functional.

5-1-1-26.1.1.2 Be composed of:

- Officials from the departments requiring the goods or services.
- At least one supply chain management practitioner.

5-1-1-36.1.1.3 Allow for a neutral or independent person to monitor the fairness of the proceedings.

#### **5-26.2 FUNCTIONS AND RESPONSIBILITIES**

5-2-16.2.1 The bid evaluation committee must:

5-2-1-16.2.1.1 Evaluate bids in accordance with:

- The specifications for a specific procurement.
- The preference point system in terms of the Preferential Procurement Policy Framework Act [and its Regulations](#).

5-2-1-26.2.1.2 Evaluate each bidder's ability to execute the contract.

5-2-1-36.2.1.3 Check in respect of each bidder whether:

## Section 7: Roles and Responsibilities

- A tax clearance certificate, issued by SARS, has been submitted.
- Municipal rates and taxes and municipal service charges are not more than three months in arrears.
- Where bidders claim preference point, a Bidder has submitted, together with their bids, the original and valid B-BBEE Status Level Verification Certificates or certified copies thereof to substantiate their B-BBEE rating claims. *(Bidders who do not submit B-BBEE Status Level Verification Certificates do not qualify for preference points for B-BBEE but should not be disqualified from the bidding process).*
- The validity of a B-BBEE Status Level Verification Certificate by tracing the name of the issuing Verification Agency to the list of all SANAS accredited agencies.

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5.2.1.46.2.1.4 The Accounting Officer must ensure that, irrespective of the procurement process followed, no award above R30 000 is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order.

5.2.1.56.2.1.5 If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 5.2.1.4 be presumed to be in order.

5.2.1.66.2.1.6 Verify whether national industrial participation programme requirements have been complied with, if the contract is in excess of R100 million.

5.2.1.76.2.1.7 Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

### 6.7. ROLE OF BID ADJUDICATION COMMITTEE

#### 6.17.1 COMPOSITION

6.1.17.1.1 The Bid Adjudication Committee must be cross-functional.

6.1.27.1.2 The Bid Adjudication Committee must consist of:

6.1.2.17.1.2.1 The Chief Financial Officer of the municipality who will be the chairperson or if the Chief Financial Officer is not available, another top or senior management official of the municipality designated by the Chief Financial Officer.

6.1.2.27.1.2.2 At least four top or senior management officials of the municipality.

6.1.2.37.1.2.3 At least one supply chain management practitioner, who is an official of the municipality.

6.1.2.47.1.2.4 When necessary, a technical expert in the relevant field, who is an official.

## *Section 7: Roles and Responsibilities*

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~~6.1.37.1.3~~ The Accounting Officer must appoint the chairperson of the committee in the absence of the municipality that does not have the Chief Financial Officer. 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.

~~6.1.47.1.4~~ Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

### **~~6.27.2~~ FUNCTIONS AND RESPONSIBILITIES**

~~6.2.17.2.1~~ The bid adjudication committee must consider the report and recommendations of the bid evaluation committee and either make a final award depending on delegations, or make another recommendation to the Accounting Officer to make the final award.

~~6.2.27.2.2~~ Make another recommendation to the Accounting Officer on how to proceed with the relevant procurement.

~~6.2.37.2.3~~ 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:

~~6.2.3.17.2.3.1~~ Check in respect of the preferred bidder whether the bidder's municipal rates and taxes and municipal services charges are not in arrears for the period more than three months.

~~6.2.3.27.2.3.2~~ Notify the Accounting Officer.

~~6.2.47.2.4~~ The Accounting Officer may:

~~6.2.4.17.2.4.1~~ After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee.

~~6.2.4.27.2.4.2~~ If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration

~~6.2.57.2.5~~ 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 the committee for reconsideration of the recommendation.

~~6.2.67.2.6~~ The Accounting Officer must, in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation, within 10 working days.

~~6.2.77.2.7~~ Prohibition on awards to persons in the service of the state.

~~6.2.7.17.2.7.1~~ The Accounting Officer must ensure that irrespective of the procurement process followed, no award may be given to a person:

## *Section 7: Roles and Responsibilities*

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- Who is in the service of the state.
- 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.
- A person who is an advisor or consultant contracted with the municipality.

| ~~6.2.8~~7.2.8 Awards to close family members of persons in the service of the state

| ~~6.2.8.1~~7.2.8.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000 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:

- The name of that person.
- The capacity in which that person is in the service of the state.
- The amount of the award.

| ~~7.8.~~ **ROLES OF THE DISPOSAL COMMITTEE**

| ~~7.18.1~~ **COMPOSITION**

| ~~7.1.18.1.1~~ The chairperson of the Committee must appoint at least a further two members to the Board in writing. One of the members of the Committee must be proficient in logistics management (Supply Chain Management Practitioner). All members of the Committee must at all times objectively evaluate the items that are submitted for disposal.

| ~~7.1.28.1.2~~ In addition to the abovementioned members of the Committee, the chairperson may at anytime during the process of evaluation of specialised stores/equipment co-opt additional members who possess specialised knowledge in the relevant field in writing. An official who is in direct control of stores/equipment, which is to be evaluated may not serve as a member of the Committee, but can assist the Committee in the evaluation process.

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### **1. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM**

- 1.1 In combating the abuse of the supply chain management system, the Accounting Officer must:
  - 1.1.1 Take all reasonable steps to prevent such abuse.
  - 1.1.2 Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified:
    - 1.1.2.1 Take appropriate steps against such official or other role player.
    - 1.1.2.2 Report any alleged criminal conduct to the South African Police Service (SAPS).
  - 1.1.3 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.
  - 1.1.4 Reject any bid from a bidder:
    - 1.1.4.1 Who fails to provide written proof from the South African Revenue Services (SARS) that that bidder either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations.
    - 1.1.4.2 Whose municipal rates and taxes or municipal service charges owed to the municipality, or other municipalities, are in arrears for more than three months.
    - 1.1.4.3 Who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or entity after written notice was given to that bidder that performance was unsatisfactory.
  - 1.1.5 Reject a recommendation for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract.
  - 1.1.6 Cancel a contract awarded to a person if:
    - 1.1.6.1 The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract.
    - 1.1.6.2 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.
  - 1.1.7 Reject the bid of any bidder if that bidder, or any of its directors:
    - 1.1.7.1 Has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system.
    - 1.1.7.2 Has been convicted for fraud or corruption during the past five years.



## *Section 8: Ethics in SCM*

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- 1.1.7.3 Has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years.
- 1.1.7.4 Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004.
- 1.2 The Accounting Officer must inform the Provincial Treasury in writing of any actions taken in terms of the above paragraphs.

### **2. ETHICAL STANDARDS**

- 2.1 A code of ethical standards must be established and acknowledged by all role players to comply with paragraph 2.2 for officials and other role players in the supply chain management system in order to promote:
  - 2.1.1 Mutual trust and respect.
  - 2.1.2 An environment where business can be conducted with integrity and in a fair and reasonable manner.
- 2.2 A municipal code of ethical standards must stipulate that an official or other role player involved in the implementation of the supply chain management policy of the municipality:
  - 2.2.1 Must treat all providers and potential providers equitably.
  - 2.2.2 May not use his or her position for private gain or to improperly benefit another person.
  - 2.2.3 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.
  - 2.2.4 Notwithstanding paragraph 2.2.3, 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.
  - 2.2.5 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, the municipality.
  - 2.2.6 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.
  - 2.2.7 Must be scrupulous in his or her use of property belonging to the municipality.

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- 2.2.8 Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- 2.2.9 Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
- 2.2.9.1 Any alleged fraud, corruption, favouritism or unfair conduct.
- 2.2.9.2 Any alleged contravention in the promise, offer or grant of any reward, gift, favour or hospitality.
- 2.2.9.3 Any alleged breach of the code of ethical standards.
- 2.3 The policy must:
- 2.3.1 Determine that all declarations in terms of paragraph 2.2.4 and 2.2.5 must be recorded in a register, which the Accounting Officer must keep for this purpose.
- 2.3.2 Determine that all declarations by the Accounting Officer must be made to the mayor and that the mayor must ensure that such declarations are recorded in the register.
- 2.3.3 Contain measures to ensure that appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.
- 2.4 The National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management must be taken into account.
- 2.5 The municipality may adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. 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.
- 2.6 A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Systems Act.
- 3. REWARDS, GIFTS AND FAVOURS TO MUNICIPAL OFFICIALS AND OTHER ROLE PLAYERS**
- 3.1 No person who is a provider of goods or services or prospective provider of goods or services to the municipality, or a recipient or prospective recipient of goods disposed, or to be disposed of, by the municipality, may either directly or through a representative or intermediary promise, offer or grant any reward, gift, favour or hospitality to:

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- 3.1.1 Any official of the municipality.
- 3.1.2 Any other role player involved in the implementation of the supply chain management policy of the municipality.
- 3.1.3 Any inducement or reward to the municipality for or in connection with the award of a contract.
- 3.2 The Accounting Officer must promptly report any alleged contravention of paragraph 3.1 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.
- 3.3 The promise, offer or grant of any reward, gift, favour or hospitality do not apply to gifts less than R350 in value.

### **4. SPONSORSHIPS**

- 4.1 The Accounting Officer must promptly disclose to the National Treasury and the provincial treasury any sponsorship promised, offered or granted to the municipality, whether directly or through a representative or intermediary, by any person who is:
  - 4.1.1 A provider of goods or services or prospective provider of goods or services to the municipality or entity.
  - 4.1.2 A recipient or prospective recipient of goods disposed, or to be disposed of, by the municipality.

### **5. OFFENCES**

- 5.1 The Accounting Officer is guilty of an offence if he/she:
  - 5.1.1 Deliberately or in a grossly negligent way:
    - 5.1.1.1 Contravenes or fails to comply with a provision of sections 61(1), 61(2)(b), 63(2)(a) or (c) or 65(2)(i) of the Act.
    - 5.1.1.2 Fails to take reasonable steps to implement the municipality's supply chain management policy.
    - 5.1.1.3 Fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure.
    - 5.1.1.4 Fails to take all reasonable steps to prevent corruptive practices in:
      - The management of the municipality's assets.
      - The implementation of the municipality's supply chain management policy.

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- 5.1.2 Deliberately provides false or misleading information in any document which in terms of a requirement of the Act must be:
  - 5.1.2.1 Submitted to the Auditor-General, the National Treasury or any other organ of state.
  - 5.1.2.2 Made public.
- 5.2 A senior manager or other official of the municipality exercising financial management responsibilities and to whom a power or duty was delegated in terms of Section 79, is guilty of an offence if that senior manager or official deliberately or in a grossly negligent way contravenes or fails to comply with a condition of the delegation.

## *Section 9: Risk Management*

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### **1 RESPONSIBILITY FOR RISK MANAGEMENT**

- 1.1 Risk management is a key responsibility of the Accounting Officer. Treasury Regulations assign responsibilities for aspects of risk management to the CFO, the internal audit function and the Audit Committee, each of which are accountable to the Accounting Officer for the discharge of their responsibilities.
- 1.2 Risk management is a continuous and proactive process that relates to all organisational activities at all levels. All managers must have a thorough understanding of the risks involved in the activities under their control and actively work towards managing these risks. Each manager has a responsibility toward risk management.

### **2 ELEMENTS OF RISK MANAGEMENT**

- a. Assessing the nature and extent of the risks associated with the municipality's operations.
- b. Deciding an acceptable level of loss or degree of failure.
- c. Deciding how to manage (minimize) the risk.
- d. Monitoring, reporting and from time to time re-assessing the level and implications of the risk exposure.

### **3 APPLICATION OF RISK MANAGEMENT**

- 3.1 Risks must be identified and assessed and are essentially driven by the objectives that must be achieved.
- 3.2 Decisions must be taken with regard to minimizing the municipality's exposure to risk, as well as to the potential effects of risks. The focus should be on an approach involving preventing risks from materializing, detecting the effects of risks as soon as possible and correcting or recovering from the consequences.
- 3.3 Risk management decisions must continuously involve a cost benefit analysis (considerations of economy). The cost of controlling (minimizing) a risk must not exceed the benefits to the Municipality. Benefits can include the objective or subjective measurement of the cost to the organization if the particular risk should materialize. (If it is not controlled what is the potential cost to the municipality?).
- 3.4 The identification, assessment and controlling of risks necessarily implies a specific management process including various stages and steps.
- 3.5 The controlling (minimising) of identified risks essentially refers to the development and implementation of risk management techniques.
- 3.6 Risk management entails, inter alia, a management culture that accepts that all business opportunities entail risk taking. The trade-off between success and failure and to decide what is an acceptable risk (having regard to its cost and other social or political factors) that a programme might not achieve any or all of its objectives.

## *Section 9: Risk Management*

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3.7 A major component of risk management is the establishment of a fraud prevention plan which aims to manage the risk of fraud through cost-effective use of the control environment, information systems, control procedures and an ethical culture within the Municipality.

3.8 Risk shall be:

- i. Identified on a case-by-case basis.
- ii. Allocated to the party best able to manage such risks.

3.9 The municipality should bear the cost of risks where the costs of transferring risk is greater than that of retaining such risk and transfer to risk where this is not the case.

3.10 The exercise of risk management in a proactive manner and providing adequately for the cover of residual risks.

3.11 Contract documentation clearly and unambiguously assigning relative risks to the contracting parties.

3.12 Risk management should form part of the business plan for the acquisition of all goods, services and works.

3.13 The municipality should either insure for procurement related physical risks, establish risk management programmes or make advance provision for losses associated with such risks. Suitable arrangements should also be made to ensure that insurance related excesses do not cause the failure of emerging small and micro enterprises.

### **4 GUARANTEES**

4.1 Performance guarantees should be commensurate with the degree of contractual risk to which the municipality are exposed.

4.2 In cases of large and complex contracts, it is advisable to call for bid guarantees to circumvent the submission of irresponsible bids.

4.3 Performance guarantees should spread the cost of the risk of failure between the contracting parties and should be set at such a level that all the municipality's costs relating to such failure are likely to be recovered.

4.4 It would be prudent to make adequate provision in all engineering and construction works contracts to ensure that monies are available to rectify defects.

4.5 Performance bonds in engineering and construction works contracts should be waived in low value, low risk contracts or where a third party carries the risk of failure in an acceptable manner.

## *Section 9: Risk Management*

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### **5. RISK MANAGEMENT SYSTEM**

5.1 A supply chain management policy must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.

### **6. PROJECT MANAGEMENT**

6.1 To be firstly effective, risk management should be managed as a project with written objectives, milestones and resources (people, time, finances, etc). The following aspects are highlighted:

6.1.1 Integrated control is essential to achieve the desired result.

6.1.2 The scope, timeframes, cost, other resources must all be investigated and documented.

6.1.3 The quality of the outcome must also be identified and quantified.

6.1.4 Risk management policies, plans and procedures, including duties and responsibilities, must be effectively communicated to all concerned.

6.1.5 All real or potential risks must be identified.

## Section 10: Demand Management

### 1 SYSTEM OF DEMAND MANAGEMENT

- 1.1 The purpose of demand management is to translate the Integrated Development Plan (IDP) in the annual performance plans into current and future needs, to cost and budget for it.
- 1.2 The Accounting Officer must establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs.
- 1.3 The system has nine (9) specific sub-processes:

	Activity	Responsibility
1.3.1	Appointment of a cross-functional team	Municipal Manager
1.3.2	Assessment of current and future needs	Municipal Manager & Heads of Departments
1.3.3	Assessment of current assets and determine the net requirements	<del>Financial Control</del> Chief Financial Officer & Heads of Departments
1.3.4	Analysis of past expenditure	Budget Office
1.3.5	Analysis of the supplying industry	SCM Office
1.3.6	Inventory management	SCM Office
1.3.7	Determine the optimum method to satisfy the needs	SCM Office
1.3.8	Determine a sourcing strategy	SCM Office
1.3.9	Formulate budget inputs	SCM Office & Heads of Departments

### 2 CROSS-FUNCTIONAL TEAM

- 2.1 Demand management will be a cross-functional exercise that bring the supply chain practitioner closer to the end user and ensures that value for money is achieved.

### 3. COMPOSITION OF THE CROSS-FUNCTIONAL TEAM

- 3.1.1 Strategic Manager (also appointed as the chairperson).
- 3.1.2 The Head of the Supply Chain Management Unit.
- 3.1.3 Heads of Departments of all departments.
- 3.1.4 Representative from Human Resources.
- 3.1.5 Representative from the Budget Office.
- 3.1.6 Any technical expertise as required.



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### **3.2 FUNCTIONS AND RESPONSIBILITIES**

- 3.2.1 To determine the current and future needs as required by the integrated development plan and to cost these requirements.
- 3.2.2 To formulate inputs for the 5-year strategic and performance plan, the annual performance plan and the operational plan.
- 3.2.3 To finalize the business plan for the next financial year.

### **4. ASSESSMENT OF CURRENT AND FUTURE NEEDS**

- 4.1 The integrated development plan (IDP) must be analysed in terms of goods, services and works required over the short and medium term.
- 4.2 Forecasting techniques can be used to determine the quantity of resources needed.
- 4.3 The IDP will also indicate where, when and the frequency of needs required.
- 4.4 Any critical delivery dates of resources must be noted.

### **5. ASSESSMENT OF CURRENT ASSETS AND DETERMINE NET REQUIREMENTS**

- 5.1 The annual stock-take will give details on available stock.
- 5.2 The accounting records must be used to determine goods in transit.
- 5.3 The following list must be compiled:
  - 5.3.1 List of redundant assets.
  - 5.3.2 List of obsolete assets.
  - 5.3.3 List of assets to be renewed.
- 5.4 With the abovementioned information the supply and demand requirements of each and every commodity and service can be determined to give the net requirements.
- 5.5 The net requirements are in terms of current and future needs to support the IDP.

### **6. AN ANALYSIS OF PAST EXPENDITURE**

- 6.1 The expenditure in the past must be analysed in terms of commodities and services purchased.

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6.2 The following information must be noted:

6.2.1 Supplier/service provider.

6.2.2 The price.

6.2.3 The location of the supplier/service provider.

6.2.4 Availability of specifications/terms of reference.

6.3 If necessary compile the required specifications/terms of reference.

### **7. ANALYSIS OF THE SUPPLYING INDUSTRY**

7.1 The supplying industries must be analysed to determine the following:

7.1.1 Name of the supplier/service provider.

7.1.2 What is available in terms of the specifications/terms of reference?

7.1.3 The current price and any discounts applicable.

7.1.4 The location of the goods.

7.1.5 The lead and delivery times.

### **8. INVENTORY MANAGEMENT**

8.1 The logistics management practitioners must calculate the following for each inventory item:

8.1.1 Minimum/maximum stock levels.

8.1.2 Safety stock and fill rate.

8.1.3 The economic order quantity.

8.2 This information will impact on the carrying and order costs.

### **9. DETERMINE THE OPTIMUM METHODS TO SATISFY NEEDS**

9.1 Calculate the lifecycle cost (LCC) of each commodity.

9.1.1 Lifecycle costing must include costs associated from the commencement of the budgeting process until the disposal phase.

9.2 Determine cost saving levers:

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9.2.1 The levers for the saving of costs are transversal and therefore applicable to all SCM functions. Cost saving levers can be applied in the following areas:

9.2.1.1 Quicker and more effective and efficient procurement.

9.2.1.2 Just-in-time principle.

9.2.1.3 Value for money.

9.2.1.4 Term contracts for repetitive requirements.

9.2.1.5 Streamlined procedures and control measures.

9.2.1.6 Establishing trained and competent SCM officials.

9.2.1.7 Effective use of procurement stages.

9.2.1.8 Discount for early payments.

9.2.1.9 The regular management of cash flow.

9.3 Determine the net present value of each project.

9.4 Make use of economies of scale.

9.5 Determine total cost of ownership (TCO).

9.5.1 The TCO is used for decisions on ownership of assets. All costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply of the service.

9.5.2 The cost of ownership should be projected over several years to obtain a balanced result about the actual costs and the influence of the decision on future budgets.

9.6 The optimum method to satisfy the needs must be evaluated by the following dimensions to determine the optimum method:

### **9.6.1 Equity**

9.6.1.1 Measures of equity would monitor the extent to which the municipality has achieved and been able to maintain an equitable supply of comparable services across race groups, regions, and urban and rural areas.

### **9.6.2 Efficiency**

9.6.2.1 Measures of efficiency seek to reflect how productively resources are translated into service delivery.

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### **9.6.3 Economy**

9.6.3.1 Measures of economy look at the cost of inputs, and mode of production to evaluate whether it is cost-effective.

### **9.6.4 Effectiveness**

9.6.4.1 Indicators of effectiveness seek to reflect how well the outputs contribute to the achievement of the desired outcomes/objectives/goals.

### **9.6.5 Value for money**

9.6.5.1 Indicators of value for money explore people's perceptions on whether resources have been well used to impact upon specific outcomes.

## **10. DETERMINE A SOURCING STRATEGY**

10.1 With the information on current and future needs available the acquisition management practitioners can develop a sourcing strategy.

10.2 A sourcing strategy determines together with the strategic plan where the goods, services and works can be obtained. This does not imply that these requirements should be procured from outside sources only. Thus all possible methods of obtaining the requirements should be investigated.

10.3 The sourcing strategy should address value for money principles, such as the just in time principle.

10.4 Cognisance shall be taken of the nature of the commodity or service required, the conditions of delivery, the prospective providers and the goals to be promoted.

10.5 Priorities shall be determined and risk management plans shall be developed by using the following sub-categories:

10.5.1 Non-critical (simple, low risk, low value goods/services).

10.5.2 Supportive (simple, low risk, but relatively high value goods/services).

10.5.3 Critical (high complexity, high risk, but relatively high value goods/services).

10.5.4 Risks can be transferred to providers where possible, by specifying risks to be carried by them and guarantees to be provided in this regard.

10.6 Strategic sourcing includes a streamlined approval process. The following serves as a guideline:

10.6.1 Increasing the threshold for purchasing manager approval.

10.6.2 Databases of authorised items can be automatically checked, excluding manual approval.

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10.6.3 Approval against budgets without top management intervention. This eliminates the need for multiple managers to approve a purchase, which was already planned as part of the budget.

10.6.4 Limiting approvals to the appropriate level of knowledge and/or experience. Thus eliminating multiple approvals.

10.6.5 Streamline sign-off by means of after the facts audits (sampling) to ensure that purchasing guidelines are appropriately followed.

### **10.7 DETERMINING A SELECTION METHOD**

10.7.1 The following methods should be used:

10.7.1.1 Available stock.

10.7.1.2 Sourcing from other government institutions.

10.7.1.3 Transversal term contracts.

10.7.1.4 Sourcing from the State Information Technology Agency.

10.7.1.5 Building, engineering or construction works.

10.7.1.6 Public Private Partnerships.

10.7.1.7 Petty cash.

10.7.1.8 Quotations.

10.7.1.9 Competitive bidding.

10.7.1.10 List of redundant/obsolete material/goods from other institutions.

10.7.1.11 Negotiations.

### **11. GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS**

11.1 The municipality should refrain from bulk acquisition and storage of goods, including gasses and fuel, which necessitate special safety arrangements. Where an Accounting Officer justifies the storage of bulk goods, such justification must be based on sound reasons including the total cost of ownership, cost advantages for the municipality and environmental impact.

### **12. PUBLIC-PRIVATE PARTNERSHIPS**

12.1 The municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will:

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- 12.1.1 Provide value for money to the municipality.
- 12.1.2 Be affordable for the municipality.
- 12.1.3 Transfer appropriate technical, operational and financial risk to the private party.
- 12.2 A public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships.
- 12.3 If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with.
- 12.4 Before a public-private partnership is concluded, the municipality must conduct a feasibility study that:
  - 12.4.1 Explains the strategic and operational benefits of the public-private partnership for the municipality in terms of its objectives.
  - 12.4.2 Describes in specific terms:
    - 12.4.2.1 The nature of the private party's role in the public-private partnership.
    - 12.4.2.2 The extent to which a private party, both legally and by nature, can perform this role.
    - 12.4.2.3 How the proposed agreement will:
      - Provide value for money to the municipality.
      - Be affordable for the municipality.
      - Transfer appropriate technical, operational and financial risks to the private party.
      - Impact on the municipality's revenue flows and its current and future budgets.
  - 12.4.3 Take into account all relevant information.
  - 12.4.4 Explains the capacity of the municipality to effectively monitor, manage and enforce the agreement.
- 12.5 The National Government may assist the municipality in carrying out and assessing feasibility studies referred to in paragraph 12.4.
- 12.6 When a feasibility study has been completed, the Accounting Officer of the municipality must:

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- 12.6.1 Submit the report on the feasibility study together with all other relevant documents to the Council for a decision, in principle, on whether the municipality should continue with the proposed public-private partnership.
- 12.6.2 At least 60 days prior to the meeting of the Council at which the matter is to be considered, in accordance with Section 21A of the Municipal Systems Act:
  - 12.6.2.1 Make public particulars of the proposed public-private partnership, including the report on the feasibility study.
  - 12.6.2.2 Invite the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed public-private partnership.
- 12.6.3 Solicit the views and recommendations of:
  - 12.6.3.1 The National Treasury.
  - 12.6.3.2 The national department responsible for local government.
  - 12.6.3.3 If the public-private partnership involves the provision of water, sanitation, electricity or any other service as may be prescribed, the responsible national department.
  - 12.6.3.4 Any other national or provincial organ of state as may be prescribed.
- 12.7 Before a municipality initiates a feasibility study for a public-private partnership, the Accounting Officer must:
  - 12.7.1 Notify the National Treasury and the Provincial Treasury in writing of the municipality's intention, together with information on the expertise within the municipality to comply with that section of the Act.
  - 12.7.2 If requested to do so by the National Treasury or the Provincial Treasury, appoint a person with appropriate skills and experience, either from within or outside the municipality, as the transaction advisor to assist and advise the municipality on the preparation and procurement of the public-private partnership agreement.
- 12.8 The above paragraph also applies when the municipality in terms of Section 78(2) of the Municipal Systems Act explores the provision of a municipal service through an external mechanism to be appointed in terms of a public-private partnership agreement.
- 12.9 A feasibility study must:
  - 12.9.1 Identify and define the activity which the municipality proposes to outsource to a private party.
  - 12.9.2 Assess the needs of the municipality in respect of such activity, including:
    - 12.9.2.1 The various options available to the municipality to satisfy those needs.

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- 12.9.2.2 The advantages and disadvantages of each option.
- 12.9.3 Access the projected impact of the proposed outsourcing of the activity to a private party on the staff, assets, liabilities and revenue of the municipality under the sole or shared control of the municipality which must include an assessment of:
- 12.9.3.1 The number of officials of the municipality that would become redundant as a result of the outsourcing of the activity.
- 12.9.3.2 The cost of the municipality of any staff retrenchments or the retention of redundant staff.
- 12.9.3.3 Any assets of the municipality proposed to be placed under the control of the private party.
- 12.9.3.4 Any assets of the municipality that would become obsolete as a result of the outsourcing of the activity.
- 12.9.3.5 Any liabilities of the municipality proposed to be ceded to the private party.
- 12.9.3.6 Any debt of the municipality attributed to the activity to be outsourced which the municipality would retain.
- 12.9.3.7 Any revenue to be foregone by the municipality as a result of the outsourcing of the activity.
- 12.9.4 Recommend an appropriate plan for the procurement of the proposed public-private partnership agreement, if outsourcing of the activity is the preferred option.
- 12.10 An assessment in terms of paragraph 12.9.2 must show comparative projections of:
- 12.10.1 The full costs to the municipality for the activity if that activity is not outsourced through a public-private partnership agreement.
- 12.10.2 The full costs to the municipality for the activity if that activity is outsourced through a public-private partnership.
- 12.11 Paragraphs 12.9 and 12.10 need not be complied with if the activity which the municipality proposed to outsource is a municipal service in respect of which an assessment in terms of Section 78(3)(b) and a feasibility study in terms of Section 78(4) of the Municipal Systems Act have already been carried out, provided that:
- 12.11.1 Such assessment and feasibility study cover the matters referred to in paragraphs 12.9 and 12.10.
- 12.11.2 The documents reflecting the results of such assessment and feasibility study are included in the documents submitted to the Council.



## Section 10: Demand Management

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### 13. COMPILATION OF SPECIFICATIONS / TERMS OF REFERENCE

- 13.1 The bid specification committee must ensure specifications/terms of reference are drafted in an unbiased manner to allow all potential providers to offer their goods and services.
- 13.2 The specification/terms of reference must indicate each specific goal for which points may be awarded in terms of the Preferential Procurement Policy Framework Act.
- 13.3 All specifications/terms of reference must be approved by the Accounting Officer /or his delegate prior to publication of the invitation of bids.
- 13.4 Specifications 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.
- 13.5 Specifications where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
- 13.6 Specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.
- 13.7 Specifications 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 words "equivalent".

### 14. PROHIBITION OF RESTRICTIVE PRACTICES

14.1 An agreement between, or concerted practice by ~~firms~~companies, or a decision by an association of ~~firms~~companies, shall be prohibited if it is between parties in a horizontal relationship and if :

- a) it has the effect of substantially preventing, or lessening, competition in a market, unless a party to the agreement, concerted practice, or decision can prove that any technological, efficiency or other precompetitive gain resulting from it outweighs that effect; or
- b) it involves any of the following restrictive horizontal practices:

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Section 10: Demand Management

- i. directly or indirectly fixing a purchase or selling price or any other trading condition;
- ii. dividing markets by allocating customers, suppliers, territories, or specific types of goods or services; or collusive tendering.

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14.2 An agreement to engage in a restrictive horizontal practice referred to in subsection (14.1)(b) shall be presumed to exist between two or more firms companies if:

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- a) any one of those firms companies owns a significant interest in the other, or they have at least one director or substantial shareholder in common; and
- b) any combination of those firms companies engages in that restrictive horizontal practice.

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14.3 For purposes of subsections of this policy "director" means:

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- a) a director of a company as defined in the Companies Act, 1973-2008 (Act No. 61-71 of 2008-1973); as amended,
- b) a member of a close corporation, as defined in the Close Corporations Act, 1984 (Act No. 69 of 1984);
- c) a trustee of a trust; or
- d) a person holding an equivalent position in a firm.

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14.4 The provisions of restricted practices do not apply to an agreement between, or concerted practice engaged in by:

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- a) a company, its wholly owned subsidiary as contemplated in the Companies Act, 2008, a wholly owned subsidiary of that subsidiary, or any combination of them; or
- b) the constituent firms within a single economic entity similar in structure to those referred to in subparagraph (a) above.

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## Section 10: Demand Management

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### **115. MEASURES TO PROHIBIT RESTRICTIVE PRACTICES**

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15.1 The following measures will be applied to combat any form of bid rigging (or collusive bidding):

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#### **15.1.1 Certificate of Independent Bid Determination:**

~~14.1.1.1~~15.1.1.1 When inviting price quotations, advertised competitive bids, limited bids or proposals, the Accounting Officer or his delegate must require bidders to complete, sign and submit the Certificate of Independent Bid Determination (MBD 9) together with the bid documentation at the closing date and time of the bid.

~~14.1.1.2~~15.1.1.2 If a bidder has failed to submit the MBD 9 together with the bid documentation, the bidder shall be requested, in writing, to submit the signed form within seven (7) working days of notification. Failure to submit the signed form within seven (7) working days of notification shall result in the invalidation of the bid.

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~~14.1.1.3~~15.1.1.3 Accounting Officer or his/her delegate shall utilize the information contained in the certificate to ensure that when bids are considered all reasonable steps are taken to prevent any form of bid rigging

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~~14.1.1.4~~15.1.1.4 Based on reasonable grounds or evidence obtained by the Accounting Officer or his/her delegate, that a bidder has engaged in the restrictive practice as referred to in Section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998, as amended, the Accounting Officer or his/her delegate may refer the matter, in writing, to the Competition Commission for investigation and possible imposition of administrative penalties.

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## Section 11: Acquisition Management

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### 1 SYSTEM OF ACQUISITION MANAGEMENT

- 1.1 The Accounting Officer must establish, through operational procedures, an effective system of acquisition management in order to ensure:
- 1.1.1 Goods and services must only be procured in accordance with authorized processes.
- 1.1.2 Expenditure on goods and services may only be incurred in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 1.1.3 Threshold values of different procurement processes must be complied with.
- 1.1.4 Bid documentation, evaluation and adjudication criteria, and general conditions of a contract, must be in accordance with applicable requirements, including:
- a) The criteria prescribed in terms of the Preferential Procurement Policy Framework Act [and its Regulations](#);
  - b) Any conditions of the Construction Industry Development Board as approved by the National Treasury, in the case of bids relating to construction.
  - c) Procurement guidelines issued by the National Treasury, including on the appointment of consultants, must be properly taken into account.
- 1.1.5 This supply chain management policy, except where provided otherwise in the policy, 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.
  - b) Electricity from Eskom or another public entity, another municipality or a municipal entity.
- 1.1.6 The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system:
- a) The kind of goods or services;
  - b) The name of the supplier, and;
  - b)c) [The total rand value of the contract](#)

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## Section 11: Acquisition Management

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### 2 COMPILATION OF LIST OF ACCREDITED PROSPECTIVE PROVIDERS

- 2.1 The Accounting Officer through the procurement department must keep a list of accredited prospective providers to be used to procure goods and services. This list should be used effectively to promote the objectives of the Preferential Procurement Regulations. The Accounting Officer should through local commonly circulated newspapers, website and by any other means possible, invite prospective providers to apply for evaluation and listing as an accredited prospective provider. The listing criteria for accredited prospective providers should also be specified. Providers should be allowed to submit applications for listing at any time during the course of a financial year. The list should be updated at least quarterly.
- 2.2 Once the list has been compiled per commodity and per type of service, quotations should be invited from such a list. The invitation of quotations from the compiled list of prospective providers per commodity should be done on rotational basis in such a manner that ongoing competition amongst providers is promoted.
- 2.3 Where no suitable providers are available from the list of prospective providers, quotations may be obtained from other possible providers. If it is not possible to obtain quotations as per section 3.4 of this policy, the reasons should be recorded and approved by the Accounting Officer or his/her delegate.
- 2.4 The prospective provider list ~~should~~ shall be reviewed quarterly ~~annually based on a calendar year~~ and invitations for listing as a prospective provider be advertised annually to coincide with the municipality's financial year. A provider can ~~be added~~ apply to ~~the~~ be listed on the ~~of~~ list of prospective providers anytime within the financial year and shall only be accredited following a review of the application and subsequent ~~through the~~ approval of the Accounting Officer or his/her delegate.
- 2.5 The Accounting Officer must prevent the listing of any prospective provider whose name appears on the National Treasury's database as person prohibited from doing business with the public sector.
- 2.6 When using the list of accredited prospective providers the Accounting Officer must:
- i. Promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis.
  - ii. Take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused.
  - iii. 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.
  - iv. Determine requirements for proper record keeping.

Section 11: Acquisition Management

v. Promote the objectives of the Broad-based Black Economic Empowerment Act.

3. BROAD-BASED BLACK ECONOMIC EMPOWERNMENT (B-BBEE) STATUS LEVEL CERTIFICATES

3.1 Bidders are required to, together with their bids and all other required documents, submit original and valid BBBEE Status Level Verification Certificates or certified copies thereof to substantiate their B-BBEE rating claims.

3.2 Bidders who do not submit B-BBEE Status Level Verification Certificates do not qualify for preference points for BBBEE but should not be disqualified from the bidding process.

3.3 Verification Certificates in respect of Exempted Micro Enterprises (EMEs)

3.3.1 In terms of this policy, an enterprise with annual total revenue of R5 million or less qualifies as an EME, however, the council acknowledges that where Sector Charters are developed to address the transformation challenges of specific sectors or industries, the threshold for qualification as an EME may be different from the generic threshold of R5 million.

3.1.2 EMEs are deemed to have a B-BBEE status of "level four (4) contributor". In instances where EMEs are more than 50% owned by black people, such EMEs qualify as "BBBEE status of 'level three (3) contributors".

3.1.3 Accounting Officers must ensure that the B-BBEE Status Level Verification Certificates submitted are issued by the following agencies:

For Bidders other than EMEs

- (a) Verification Agencies accredited by (SANAS); or
- (b) Registered auditors approved by the Independent Regulatory Board of Auditors (IRBA).

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## Section 11: Acquisition Management

### For Bidders who qualify as EMEs

- (a) Accounting officers as contemplated in section 60(4) of the Close Corporations Act, Act No 69 of 1984 (CCA);
- (b) Verification Agencies accredited by SANAS; or
- (c) Registered auditors approved by the IRBA.

3.1.4 A trust, consortium or joint venture must obtain and submit a consolidated B-BBEE Status Level Verification Certificate for every separate bid.

3.1.5 Public entities and tertiary institutions must also submit B-BBEE Status Level Verification Certificates together with their bids.

### 3.4 Verification Agencies accredited by SANAS

3.4.1 As part of the evaluation process, the Evaluation Committee must confirm the validity of a B-BBEE Status Level Verification Certificate by tracing the name of the issuing Verification Agency to the list of all SANAS accredited agencies.

3.4.3 As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:

- a) The name and the physical location of the measured entity;
- b) The registration number and, where applicable, the VAT number of the measured entity;
- c) The date of issue and date of expiry;
- d) The certificate number for identification and reference;
- e) The scorecard that was used (for example EME, QSE or Generic);
- f) The name and / or logo of the Verification Agency;
- g) The SANAS logo;
- h) The certificate must be signed by the authorized person from the Verification Agency; and
- i) The B-BBEE Status Level of Contribution obtained by the measured entity.

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## Section 11: Acquisition Management

### 4. PROUDLY SOUTH AFRICA CAMPAIGN

The Accounting Officer must determine internal operating procedures supporting 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 area of jurisdiction of the Maluti A Phofung
- Secondly : Suppliers and businesses within the area of jurisdiction of the Thabo Mofutsanyana
- Thirdly : Suppliers and businesses within the area of jurisdiction of the Free State Province
- Fourthly : Suppliers and businesses within the area of jurisdiction of the Republic of South Africa

### 4. RANGE OF PROCUREMENT PROCESSES

#### 4.1 GENERAL

4.1.1 Goods and services may not deliberately be split into parts or items of a lesser value merely to avoid following 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.

4.1.2 The procurement of goods and services through this policy is provided by way of:

4.1.2

- Petty cash purchases, up to a transaction value of R52,000 (VAT included).
- One quotation for procurements of a transaction value between R501.00 to R2 000.00
- At least three wWritten quotations for procurements of a transaction value of R 2,001 up to R340,000 (VAT included).
- A competitive bidding process through notice board be followed for any specific procurement of a transaction value of R30 000 to R200 000.00 (VAT included) and be advertise for a period not less than seven days.

Formal written price quotations for procurements of a transaction value over R 10,001 up to R 200,000 (VAT included):

- A competitive bidding process through a newspaper and municipal website be followed for any specific procurement of a transaction value above R200 000.00,
- A competitive bidding process for:

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## Section 11: Acquisition Management

- ~~Procurements above a transaction value of R 200,001 (VAT included), and~~
- ~~The procurement of long term contracts.~~

4.1.3 The Accounting Officer may, in writing lower, but not increase, the different threshold values specified in subparagraph 4.1.2 or direct that:

- a) Written or verbal quotation be obtained for any specific procurement of a transaction value lower than R 1000 (VAT included)

### 4.2 PETTY CASH PURCHASES UP TO A TRANSACTION VALUE OF R1 000 (VAT INCLUDED) DEPENDING ON ACCOUNTING OFFICERS DESGRETION.

4.2.1 The accounting offer must establish the conditions for the procurement of goods by means of petty cash ~~purchases referred to in paragraph 3.1.2.1 of in term of~~ this policy, which must include conditions:

1. Determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager.
2. Limiting the number of petty cash purchases or the maximum amount per month for each manager or limiting the amount of total petty cash per month.
3. Excluding any types of expenditure from petty cash purchases, where this is considered necessary.
4. Requiring monthly reconciliation reports from each manager to the chief financial officer, including:
  - a. The total amounts of petty cash purchases for that month.
  - b. Receipt and appropriate documents for each purchase.

### 4.3 WRITTEN QUOTATIONS: FOR PROCUREMENTS OF A TRANSACTION VALUE OF R 2,001 UP TO R10,000 (VAT INCLUDED).

4.3.1 The Accounting Officer or delegate may procure goods and services of a transaction value of R 2,001 up to R10,000 (VAT included) by requesting written price quotations from 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 in the supply chain management policy to the extent feasible, providers must be requested to submit such quotations in writing. If it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer. The names of the potential suppliers and their quoted prices must be recorded. The order should always be placed against written confirmation from the selected supplier.

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## Section 11: Acquisition Management

### 4.4 FORMAL WRITTEN PRICE QUOTATIONS: FOR PROCUREMENTS OF A TRANSACTION VALUE OVER R 10,001 UP TO R 200,000 (VAT INCLUDED)

vi.4.4.1 The Accounting Officer should invite and accept formal written price quotations for procurements of a transaction value over R 10,001 up to R 200,000 (VAT included) from as many suppliers as possible (at least 3 written quotations), that are registered on the list of accredited prospective suppliers. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the chief financial officer.

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vii.4.4.2 Quotations may be obtained from providers who are not listed only when no suitable providers for the required commodity or type of service are available from the list, provided that such providers meet the listing criteria in the supply chain management policy.

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viii.4.4.3 That the Accounting Officer must record the names of the potential providers and their written quotations.

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ix.4.4.4 A designated official referred to in subparagraph 3.5.14.4.1 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.

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x.4.4.5 When using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis.

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xi.4.4.6 That the Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused.

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xii.4.4.7 The Accounting Officer must determine the requirements for proper record keeping.

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### 4.5 COMPETITIVE BIDS BY MEANS OF PUBLIC ADVERTISEMENT FOR TRANSACTIONS WITH AN ESTIMATED VALUE OF ABOVE R 200 000.00 (VAT INCLUDED)

4.5.1 Goods or services above a transaction value of more than R 200 000.00(VAT included) and long term contracts may only be procured through a competitive bidding process, subject to this policy.

4.5.2 No requirement for goods or services above an estimated transaction value of R 200 000.00 (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.

## Section 11: Acquisition Management

4.5.3 The Accounting Officer shall invite competitive bids for all the procurement per case above the estimated value of R 200 000.00 by means of a public advertisement.

4.5.4 A case is regarded as the consolidated requirement of related items (items of a common commodity group, e.g. grouping items of stationery together) that exists at a given point in time. It should cover the total quantities and estimated value (VAT included) of all the items concerned for complete service or supply.

4.5.5 The prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated Regulations should be adhered to.

4.5.6 Bids should be advertised at least in a commonly circulated newspaper in the municipal area of jurisdiction and municipal website to ensure exposure to potential bidders. Bids may be advertised in the Government Tender Bulletin if and when determined by the Accounting Officer.

4.5.7 The 90/10 principle must be applied for contracts above the rand value of R 1 million and above (VAT included).

4.5.8 The 80/20 principle must be applied for contracts from R30 000 and to the rand value of up to R 1 million (VAT included).

4.5.8.1 Preferential points will be determined by the bid specification committee in consultation with the Accounting Officer depending on the nature of procurement.

### **b.4.6 GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS**

i.4.6.1 A written quotation or bid may not be considered unless the provider who submitted the quotation or bid:

1.4.6.1.1 Has furnished that provider's:

a.4.6.1.1.1 Full name

b.4.6.1.1.2 Identification number or company or other registration number.

e.4.6.1.1.3 Tax reference number and VAT registration number, if any.

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2.4.6.1.2 The Accounting Officer must ensure that, irrespective of the procurement process followed, no award above R30 000 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

a.4.6.1.2.1 Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order.

b.4.6.1.2.2 If SARS does not respond within 7 days such person's tax matters may be presumed to be in order.

3.4.6.1.3 Has indicated:

a.4.6.1.3.1 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.

b.4.6.1.3.2 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.

c.4.6.1.3.3 Whether a spouse, or child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in the subparagraph above is in the service of the state, or has been in the service of the state in the previous twelve months.

d.4.6.1.3.4 If the provider is an advisor or consultant contracted with the municipality.

### ii.4.6.2 Process for competitive bidding

1.4.6.2.1 The process for competitive bidding has eight (8) distinct stages:

a.4.6.2.1.1 The compilation of bid documentation.

b.4.6.2.1.2 The public invitation of bids.

c.4.6.2.1.3 Site meetings or briefing sessions, if applicable.

d.4.6.2.1.4 The handling of bids submitted in response to the public invitation.

e.4.6.2.1.5 The evaluation of bids.

f.4.6.2.1.6 The award of contracts.

g.4.6.2.1.7 The administration of contracts.

h.4.6.2.1.8 Proper record keeping.

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## Section 11: Acquisition Management

### 4.6.3 Bid documentation for competitive bids

4.6.3.1 The Accounting Officer must establish the criteria to which bid documentation for a competitive bidding process must comply.

4.6.3.2 The bid documentation must be in accordance with:

a.4.6.3.2.1 At least the general conditions of contract and supply chain management guidelines of National Treasury.

b.4.6.3.2.2 The requirement of the Construction Industry Development Board as approved by National Treasury in the case of a bid relating to the construction, upgrading or refurbishment of buildings or infrastructure.

e.4.6.3.2.3 Bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of the PPPFA and its related Regulations.

d.4.6.3.2.4 Bid documents will be sold at the amount to be determined by the accounting officer and also be approved with the tariff budget of the municipality.

3.4.6.3.3 All bidders are compelled to declare any conflict of interest they may have in a specific bid.

4.4.6.3.4 If the value of the transaction is expected to exceed R10 million (VAT included) bidders have to furnish:

a.4.6.3.4.1 Their audited or independently reviewed annual financial statements in terms of the South African Companies Act, 2008 and its regulations as amended from time to time.~~If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements:~~

i.4.6.3.4.1.1 For the past three years, or

ii.4.6.3.4.1.2 Since their establishment if established during the past three years.

b.4.6.3.4.2 A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal or other service providers in respect of which payment is overdue for more than 30 days.

e.4.6.3.4.3 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.

d.4.6.3.4.4 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 is expected to be transferred out of the Republic.

5.4.6.3.5 All bidders are compelled to furnish their tax reference/registration number and identification numbers where applicable.

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6.4.6.3.6 Bid disputes are to be settled by means of mutual consultation, mediation (with or without legal representation) or when unsuccessful, in a South African court of law.

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7.4.6.3.7 Bids are advertised in at least a commonly circulated newspaper, at least 14 days before closure, except in urgent cases when bids may be advertised for such shorter period as the Accounting Officer may determine.

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8.4.6.3.8 Furthermore, the following should take place:

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a.4.6.3.8.1 All bids or offers must be submitted in writing on the prescribed bid documentation in a sealed marked envelope and must be deposited by the bidders themselves or their appointed representatives into the designated Bid Box by no later than the date and time stipulated in the bid documents.

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b.4.6.3.8.2 There should always be a unique reference number and title or description for each bid advertised, in order to avoid any ambiguity that could result in respect thereof.

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c.4.6.3.8.3 The closing date and time of each bid invitation should be chosen carefully or systematically.

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d.4.6.3.8.4 There must be suitable and dedicated staff to handle all queries in respect of any bids.

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e.4.6.3.8.5 All prospective bidders must be provided with similar bid information, with no bidder having competitive advantage over another.

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f.4.6.3.8.6 The policies, procedures and protocols published in the bid documentation must always be adhered to. Any subsequent changes thereto must be communicated to all bidders.

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g.4.6.3.8.7 There must be a formal line of communication to ensure consistency of communication.

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h.4.6.3.8.8 All communication regarding the bid should preferably be in writing, filed and recorded.

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i.4.6.3.8.9 The Maluti-a-Phofung Municipality should ensure that the costs of obtaining bid documentation, the availability thereof and bid requirements do not disadvantage potential bidders in any way.

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j.4.6.3.8.10 If it is desirable to amend, alter or replace samples, specifications, copies or conditions subsequent to the closing date and time, and before notification of acceptance has been given, new bids shall be invited.

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### **iv.4.6.4 Public invitation for competitive bids**

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1.4.6.4.1 Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of

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## Section 11: Acquisition Management

the municipality and any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).

2.4.6.4.2 The information of a public advertisement must contain 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.

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a.4.6.4.2.1 A statement that bids may only be submitted on the bid documentation provided by the municipality.

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4.6.4.3 The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirements, 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.

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4.6.4.4 When inviting bids the municipality shall indicate:

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- i. whether the bids will be evaluated on functionality;
- ii. the evaluation criteria for measuring functionality;
- iii. the weight of each criterion; and
- iv. the applicable values as well as the minimum threshold for functionality

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4.6.4.5 When the municipality invites a bid that will be evaluated on the basis of functionality as a criterion, the Accounting Officer must clearly specify the following aspects in the bid documents:

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(a) Evaluation criteria for measuring functionality;

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e.g Relevant experience for the assignment, the methodology proposed, the qualifications of the key staff proposes, transfer of knowledge etc.

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(b) Weight of each criterion;

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e.g Relevant Experience = 60% , Methodology Proposed = 30%, etc. The sum total of the weight that is allocated to all criterions should not be greater than 100%. Weights should be determined separately for each bid on its own merit basis.

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(c) Applicable values;

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The applicable values that will be utilised when scoring each criterion should be objective. The following the following value system will be used in evaluation of functionality for all bids:

VALUE	RATING
1	Poor
2	Average
3	Good
4	Very Good
5	Excellent

(d) Minimum qualifying score for functionality:

The minimum qualifying score for functionality that must be obtained for a bid to be regarded as acceptable must be specific.

The minimum qualifying score must be determined separately for each bid or each case on its own merit basis. The minimum qualifying score must not be prescribed so low that it may jeopardise the quality of the service required nor so high that it may be restrictive to the extent that it jeopardizes the fairness of the SCM system.

The formula to be utilised to convert the functionality scores to percentages is as follows:

Ps = So/Ms x 100 where:

Ps = percentage scored for functionality by bid/proposal under consideration

So = total score of bid/proposal under consideration

Ms = maximum possible score

4.4.6.4.6 Bids submitted must be sealed.

5.4.6.4.7 Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

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### 35 TWO-STAGE BIDDING PROCESS

a-5.1 For large complex plants or projects of special nature or long term projects with a duration period exceeding three years, it may be undesirable to prepare complete detailed technical specifications in advance, Accounting Officer may make use of two-stage bidding process. Under the first stage unpriced technical proposals on the basis of conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments. The second stage should include amended bidding documents and the submission of final technical proposals and priced bids.

### 46 PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

a-6.1 The procurement section of the Maluti-a-Phofung Local Municipality will be responsible for the receipt and opening of all bids.

b-6.2 The following procedures must be followed:

i-6.2.1 Bids may be opened only in public.

ii-6.2.2 A bid box must be opened immediately after each bid has closed by at least two supply chain officials of the Maluti-a-Phofung Local Municipality and at least one member of the Bid Committee of the Maluti-a-Phofung Local Municipality.

iii-6.2.3 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. If the bid consist of more than one item, the official may at his discretion, decide on whether or not all of the items should be read out.

iv-6.2.4 All the bids that have been deposited into the bid box and opened must be recorded in a bid register.

v-6.2.5 All opened bids must be date stamped and individually initialled in ink on each material page by the abovementioned officers. Any errors must also be initialled as above.

vi-6.2.6 Any deposits or securities received with bids must be handed to the financial officer for official acknowledgement of receipt thereof.

vii-6.2.7 The name of the bidders and amount of the bid must be recorded in the bid register and handed to the responsible person, who will acknowledge in writing receipt thereof.

viii-6.2.8 The bid register must be locked in a safe place for subsequent bid evaluations.

ix-6.2.9 All bid documentation via telegram, e-mail, telex, facsimile or other method other than the prescribed method before, on or after the closing date and time must be registered and should not be considered and returned unopened immediately

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~~x~~6.2.10 The specified date and/or time will be registered in the bid register and marked "late bid", these bids will be rejected and not be considered.

~~xi~~6.2.11 Bids received after the closing time should not be considered and returned unopened immediately.

~~xii~~6.2.12 Bids results must be displayed on official notice boards.

~~xiii~~6.2.13 Make the register available for public inspection.

~~xiv~~6.2.14 Publish the entries in the register and the bid results on the website.

### 57 NEGOTIATIONS WITH PREFERRED BIDDERS

~~a~~7.1 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:

~~i~~7.1.1 Does not allow any preferred bidder a second or unfair opportunity.

~~ii~~7.1.2 Is not to the detriment of other bidders.

~~iii~~7.1.3 Does not lead to a higher price than the bid as submitted.

~~iv~~7.1.4 Minutes of such negotiations must be kept for record purposes.

### 68 EVALUATION AND AWARDING OF BIDS

~~a~~8.1 Bids will be evaluated in terms of the point system as laid out in the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) and its regulations.

8.2 When functionality is included as a criterion in the Evaluation of bids, the evaluation of the bids shall be conducted in the following two stages:

**Firstly:** the assessment of functionality shall be done in terms of the evaluation criteria and the minimum threshold as were stipulated in the invitation for bids. A bid shall be disqualified if it fails to meet the minimum threshold for functionality as per the bid invitation.

**Secondly:** only the qualifying bids will be evaluated in terms of the 80/20 or 90/10 preference points systems, where the 80 or 90 points shall be used for price only and the 20 or 10 points are used for HDI ownership and / or for achieving the prescribed RDP goals.

~~4.5~~8.3 The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids should is

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prohibited as this will jeopardise the fairness of the Supply Chain Management system of the municipality.

8.4 The 80/20 preference points system shall be used in evaluation of bids ( including price quotations) with the rand value equal to or above R 30 000 (VAT and all other applicable taxes included) up to the rand value of R 1 million ( VAT and other applicable taxes included) using the following formula:

$$P_s = 80 \left( 1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

- Where:
- P<sub>s</sub> = Points scored for comparative price of bid/offer under consideration
- P<sub>t</sub> = Comparative price of bid/offer under consideration
- P<sub>min</sub> = Comparative price of lowest acceptable bid/offer

8.5 The 90/10 preference points system shall be used in evaluation of bids ( including price quotations) with the rand value above R 1 million (VAT and all other applicable taxes included) using the following formula:

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

- Where:
- P<sub>s</sub> = Points scored for comparative price of bid/offer under consideration
- P<sub>t</sub> = Comparative price of bid/offer under consideration
- P<sub>min</sub> = Comparative price of lowest acceptable bid/offer

8.6 Once the points for price has been calculated, preference points for BBBEE status level contributor for both the 80/20 and 90/10 preference systems shall be determined in according to the table below:

<u>B-BBEE Status Level Contributor</u>	<u>Number of points for 80/20 system</u>	<u>Number of points for 90/10 system</u>
<u>1</u>	<u>20</u>	<u>10</u>

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*Section 11: Acquisition Management*

<u>2</u>	<u>18</u>	<u>9</u>
<u>3</u>	<u>16</u>	<u>8</u>
<u>4</u>	<u>12</u>	<u>5</u>
<u>5</u>	<u>8</u>	<u>4</u>
<u>6</u>	<u>6</u>	<u>3</u>
<u>7</u>	<u>4</u>	<u>2</u>
<u>8</u>	<u>2</u>	<u>1</u>
<u>Non-compliant contributor</u>	<u>0</u>	<u>0</u>

8.7 The maximum preference points that may be allocated for both the 80/20 and 90/20 point systems in respect of the BBBEE status level contributor shall not exceed 20 and 10 respectively.

4.68.8 The Accounting Officer shall exercise due care to ensure that a bid is not disqualified from the bidding process solely because the bidder does not submit a certificate substantiating the BBBEE status level of contribution or is a non-compliant contributor, however, BBBEE status level contributor points shall not be allocated if the bidder does not submit an appropriate certificate substantiating points claimed or if the bidder is a non-compliant contributor.

8.9 The points scored for price must be added to the points scored for BBBEE status level of contributor to obtain the bidder's total points scored out of 100.

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4.78.10 When calculating comparative prices, unconditional discounts must be taken into account for evaluation purposes; and conditional discounts must not be taken into account, but should be implemented when payments are effected.

8.11 A procurement contract shall be awarded to the bidder who scored the highest total number of points in terms of the preference point systems.

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8.12 In the event that two or more bids have scored equal total points, the successful bid must be the one that scored the highest points for BBBEE.

## *Section 11: Acquisition Management*

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8.13 If two or more bids have equal points, including equal preference points for BBBEE, the successful bid must be the one scoring the highest score for functionality if functionality is part of the evaluation process.

8.14 In the event that two or more bids are equal in all respects, the award must be decided by the drawing of lots

### 9 LOCAL PRODUCTION CONTENT

9.1 Bids in respect of designated sectors must contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

9.2 Where there is no designated sector, the Accounting Officer may decide to include a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered. Such a condition and minimum threshold must only be included with the approval of the National Treasury in consultation with the Department of Trade and Industry.

9.3 Every bid invited on the basis of local production and content must be measurable and must be audited by the institution's internal audit. Bids that were invited on the basis of local production and content should be evaluated by following a two-stage bidding process:

#### **First stage - Evaluation in terms of the stipulated minimum threshold for local production and content**

a) Bids must be evaluated in terms of the evaluation criteria stipulated in the bid documents. The amendment of the stipulated minimum threshold for local production and content after the closure of bids is not be allowed as this will jeopardise the fairness of the system.

b) A bid is regarded as acceptable if it achieves the stipulated minimum threshold for local production and content.

## *Section 11: Acquisition Management*

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- c) Bids that fail to achieve the stipulated minimum threshold for local production and content must be disqualified

### **Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems**

- a) Only acceptable bids must be evaluated further in terms of the 80/20 or 90/10 preference point systems prescribed as prescribed in this policy.
- b) Where appropriate, prices may be negotiated only with short listed or preferred bidders. The reasons for such price negotiations must be approved by the Accounting Officer and recorded for audit purposes.

### **510 SUB-CONTRACTING**

10.1 A bidder shall not be awarded the points claimed for BBBEE status level of contribution if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the contract value to any other enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

10.2 A contractor is not allowed to sub-contract more than 25% of the contract value to another enterprise that does not have equal or higher B-BBEE status level, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

10.3 In relation to a designated sector, a contractor must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

### **11 CANCELLATION OF BIDS / TENDERS**

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Section 11: Acquisition Management

11.1 In the application of the 80/20 preference point system, if ALL bids received exceed R1 000 000, the bid must be cancelled, however, if one or more of the acceptable bid(s) received are within the R1 000 000 threshold, all bids received must be evaluated on the 80/20 preference point system.

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11.2 In the application of the 90/10 preference point system, if ALL bids received are equal to or below R1 million, the bid must be cancelled, however, if one or more of the acceptable bid(s) received are above the R1 million threshold, all bids received must be evaluated on the 90/10 preference point system.

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11.3 If a bid was cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid.

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11.4 The Accounting Officer may, prior to the award of a bid, cancel such bid if:

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11.4.1 Due to changed circumstances, there is no longer a need for the services, works or goods requested.

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11.4.2 Funds are no longer available to cover the total envisaged expenditure.

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11.4.3 No acceptable bids are received. If all bids received are rejected, the municipality must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

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712 APPROVAL OF BIDS NOT RECOMMENDED

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a-12.1 If a bid other than the one recommended in the normal course of implementing the supply chain management policy is approved, the Accounting Officer must, in writing notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

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b-12.2 The above does not apply if a different bid was approved in order to rectify an irregularity.

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813 UNSOLICITED BIDS

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*Section 11: Acquisition Management*

~~a-13.1~~ The municipality is not obliged to consider unsolicited bids received outside a normal bidding process, however if the municipality decides to consider unsolicited bids, it may do so, only if:

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~~i-13.1.1~~ The product or service offered in terms of the bids is a unique innovative concept that will be exceptionally beneficial to or have exceptional cost advantages for the municipality.

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~~ii-13.1.2~~ The person who made the bid is the sole provider of the product or service.

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~~iii-13.1.3~~ The reasons for not going through the normal biddings processes are found to be sound by the Accounting Officer.

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~~iv-13.1.4~~ The need for the product or service by the municipality has been established during its annual performance planning and budgeting process.

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~~b-13.2~~ If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph 9.1 of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with:

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~~i-13.2.1~~ Reasons as to why the bid should not be open to other competitors.

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~~ii-13.2.2~~ An explanation of the potential benefits if the unsolicited bid were accepted.

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~~iii-13.2.3~~ An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

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~~e-13.3~~ All written comments received pursuant to subparagraph 9.2 including any responses from the unsolicited bidder, must be submitted to the National Treasury and the provincial treasury for comment.

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~~f-13.4~~ 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.

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~~e-13.5~~ A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

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~~f-13.6~~ When considering the matter, the adjudication committee must take into account:

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~~i-13.6.1~~ Any comments submitted by the public.

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~~ii-13.6.2~~ Any written comments and recommendations of the National Treasury or the provincial treasury.

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~~g-13.7~~ 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 provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

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Section 11: Acquisition Management

h.13.8 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.

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914 NATIONAL INDUSTRIAL PARTICIPATION PROGRAMME

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a.14.1 Before awarding a contract above R100 million which is subject to the National Industrial Participation Programme, the Accounting Officer must obtain clearance for the recommended bidder from the Department of Trade and Industry. If the Accounting Officer receives no response within 30 days of the request, this clearance of the recommended bidder as a precondition for the award of the contract falls away.

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1015 PROCUREMENT OF IT RELATED GOODS AND SERVICES

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a.15.1 Accounting Officer may seek specialised advice from SITA in acquisition of it related goods and services.

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b.15.2 The Accounting Officer may request the State Information Technology Agency (SITA) to assist the municipality with the acquisition of IT related goods or services through a competitive bidding process.

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e.15.3 The parties must enter into a written agreement to regulate the services rendered by and the payments to be made to SITA.

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d.15.4 The Accounting Officer must notify SITA together with a motivation of the IT needs if:

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i.15.4.1 The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included).

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ii.15.4.2 The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

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e.15.5 If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor-General.

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16 SERVICES RENDERED BY TERTIARY INSTITUTIONS AND PUBLIC ENTITIES

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16.1 Based on thorough analysis of the market, the municipality may invite bids for services that can only be provided by tertiary institutions through a bidding process from the identified tertiary institutions.

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16.2 Where the required service can be provided by tertiary institutions, public entities and enterprises from the private sector, the municipality must invite competitive bids.

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1217 PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

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## Section 11: Acquisition Management

~~a~~.17.1 The Accounting Officer may procure goods or services for the municipality under a contract secured by another organ of state, but only if:

~~i~~.17.1.1 The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state.

~~ii~~.17.1.2 \_\_\_\_\_ That other organ of state and the provider have consented to such procurement in writing.

~~iii~~.17.1.3 \_\_\_\_\_ There is no reason to believe that such contract was not validly procured.

~~iv~~.17.1.4 \_\_\_\_\_ There are demonstrable discounts or benefits to do so.

### ~~13~~18 APPOINTMENT OF CONSULTANTS

~~a~~.18.1 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.

~~b~~.18.2 Consultancy services must be procured through competitive bids if:

~~i~~.18.2.1 The value of the contract exceeds R 120 001 (VAT included).

~~ii~~.18.2.2 \_\_\_\_\_ The duration period of the contract exceeds one year.

~~e~~.18.3 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:

~~i~~.18.3.1 All consultancy services provided to an organ of state in the last five years.

~~ii~~.18.3.2 \_\_\_\_\_ Any similar consultancy services provided to an organ of state in the last five years.

~~d~~.18.4 The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

~~e~~.18.5 The Accounting Officer may to appoint the Panel of Consultants to assist the Municipality to evaluate the bids for the appointment of the Consultants in the case whereby the municipality does not have necessary capacity for appointment of such consultant.

### ~~14~~19 DEVIATION FROM OFFICIAL PROCUREMENT PROCESSES

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Section 11: Acquisition Management

~~a~~.19.1 The Accounting Officer may dispense with the official procurement processes established by the policy to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

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~~i~~.19.1.1 In an emergency.

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~~ii~~.19.1.2 \_\_\_\_\_ If such goods and services are produced or available from a single provider only.

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~~iii~~.19.1.3 \_\_\_\_\_ For the acquisition of special works of art or historical objectives where specifications are difficult to compile.

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~~iv~~.19.1.4 \_\_\_\_\_ Acquisition of animals for zoos and/or nature and game reserves.

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~~v~~.19.1.5 \_\_\_\_\_ In any other exceptional case where it is impractical to follow the official procurement processes.

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~~b~~.19.2 The Accounting Officer must record the reasons for such deviation and report them to the next meeting of the council and include as a note to the annual financial statements.

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~~e~~.19.3 The above does not apply to the procurement of goods and services in respect of the following:

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~~i~~.19.3.1 If the municipality contracts with another organ of state for:

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~~1~~.19.3.1.1 \_\_\_\_\_ The provision of goods or services to the municipality.

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~~2~~.19.3.1.2 \_\_\_\_\_ The provision of a municipal service or assistance in the provision of a municipal service.

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~~3~~.19.3.1.3 \_\_\_\_\_ 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.

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~~19~~.4 The Accounting Officer may 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.

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~~e~~.

20 EXPANSION OR VARIATION OR ORDERS AGAINST THE ORIGINAL CONTRACT

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20.1 Any contract may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Any expansion or variation beyond the threshold will be reported by the Accounting Officer in the next Council sitting.

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*Section 11: Acquisition Management*

**1521 URGENT PROCUREMENT**

**a-21.1** Irrespective of monetary value, an urgent procurement process will only apply where early delivery is of critical importance and the utilisation of the standard procurement process is either impossible, or impractical.

**1622 EMERGENCY PROCUREMENT**

**a-22.1** Irrespective of monetary value, an emergency procurement process will only apply in serious, unexpected and potentially dangerous circumstances which require immediate rectification:

**i-22.1.1** In the event of a threat or interruption in the municipality's ability to execute its mandate.

**ii-22.1.2** In the event of an immediate threat to the environment or human safety.

**1723 CONTRACTS AND CONTRACT MANAGEMENT**

**a-23.1** A contract or agreement procured through the supply chain management system of a municipality must:

**i-23.1.1** Be in writing.

**ii-23.1.2** Stipulate the terms and conditions of the contract or agreement, which must include provisions providing for:

**1-23.1.2.1** The termination of the contract or agreement in the case of non- or underperformance.

**2-23.1.2.2** Dispute resolution mechanisms to settle disputes between the parties.

**3-23.1.2.3** Any other matters that may be prescribed.

**b-23.2** The Accounting Officer of the municipality must:

**i-23.2.1** Take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality is properly enforced.

**ii-23.2.2** Monitor on a monthly basis the performance of the contractor under the contract or agreement.

**iii-23.2.3** Establish capacity in the administration of the municipality:

**1-23.2.3.1** To assist the Accounting Officer in carrying out the duties set out in the above sub-paragraphs.

**2-23.2.3.2** To oversee the day-to-day management of the contract or agreement.

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iv-23.2.4 Regularly report to the Council of the municipality on the management of the contract or agreement and the performance of the contractor.

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e-23.3 A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, but only after:

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i-23.3.1 The reasons for the proposed amendment have been tabled in the Council of the municipality.

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ii-23.3.2 The local community:

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1-23.3.2.1 Has been given reasonable notice of the intention to amend the contract or agreement.

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2-23.3.2.2 Has been invited to submit representations to the municipality.

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d-23.4 **CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

i-23.4.1 The municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations of the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if:

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1-23.4.1.1 The Municipal Manager, at least 60 days before the meeting of the Municipal Council at which the contract is to be approved:

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a-23.4.1.1.1 In accordance with Section 21(a) of the Municipal Systems Act:

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i-23.4.1.1.1.1 Made public the draft contract and an information statement summarising the municipality's obligation in terms of the proposed contract.

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ii-23.4.1.1.1.2 Invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract.

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b-23.4.1.1.2 Has solicited the views and recommendations of:

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i-23.4.1.1.2.1 The National Treasury and the Provincial Treasury.

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ii-23.4.1.1.2.2 The national department responsible for local government.

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iii-23.4.1.1.2.3 The national department, responsible for the provision of water, sanitation, electricity, or any other service as may be prescribed.

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2-23.4.1.2 The Municipal Council has taken into account:

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a-23.4.1.2.1 The municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract.

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b-23.4.1.2.2 The impact of those financial obligations on the municipality's future municipal tariffs and revenue.

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~~e-23.4.1.2.3~~ Any comments or representations on the proposed contract received from the local community and other interested persons.

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~~d-23.4.1.2.4~~ Any written views and recommendations on the proposed contract by the National Treasury, the Provincial Treasury, the national department responsible for local government and any national department referred to in paragraph 17.4.1.1.

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~~3-23.4.1.3~~ The Municipal Council has adopted a resolution in which:

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~~a-23.4.1.3.1~~ It determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract.

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~~b-23.4.1.3.2~~ It approves the entire contract exactly as it is to be executed.

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~~e-23.4.1.3.3~~ It authorises the municipal manager to sign the contract on behalf of the municipality.

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~~h-23.4.2~~ All contracts referred to in the paragraph above and all other contracts that impose a financial obligation on a municipality:

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~~1-23.4.2.1~~ Must be made available in their entirety to the Municipal Council.

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~~2-23.4.2.2~~ May not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No 2 of 2000).

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~~e-23.5~~ **CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER**

~~i-23.5.1~~ If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider or the amount collected, the contract between the services and the municipality must stipulate:

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~~1-23.5.1.1~~ A cap on the compensation payable to the service provider.

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~~2-23.5.1.2~~ That such compensation must be performance based.

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~~f-23.6~~ **OBJECTIONS AND COMPLAINTS**

~~i-23.6.1~~ 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.

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~~g-23.7~~ **RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES**

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~~i-23.7.1~~ The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes:

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~~1-23.7.1.1~~ To assist in the resolution of disputes between the municipality and other persons regarding:

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a-23.7.1.1.1 Any decisions or actions taken in the implementation of the supply chain management system.

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b-23.7.1.1.2 Any matter arising from a contract awarded in the course of the supply chain management system.

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2-23.7.1.2 To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

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ii-23.7.2 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.

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iii-23.7.3 The person appointed must:

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1-23.7.3.1 Strive to resolve promptly all disputes, objections, complaints or queries received.

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2-23.7.3.2 Submit monthly reports to the Accounting Officer on all disputes, objections complaint or queries received, attended to or resolved.

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iv-23.7.4 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:

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1-23.7.4.1 The dispute, objection, complaint or query is not resolved within 60 days.

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2-23.7.4.2 No response is forthcoming within 60 days.

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v-23.7.5 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.

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vi-23.7.6 This must not be read as affecting a person's rights to approach a court at any time.

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**1824 PROCUREMENT OF PUBLIC-PRIVATE PARTNERSHIPS**

**a-24.1 PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS**

i-24.1.1 The Accounting Officer must solicit the views and recommendations of the National Treasury and the Provincial Treasury on:

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1-24.1.1.1 The proposed bid documentation at least 30 days before bids are publicly invited.

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2-24.1.1.2 The evaluation of the bids received and of any preferred bidder at least 30 days before any award is made.

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ii-24.1.2 An award of a public-private partnership agreement:

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~~1-24.1.2.1~~ May be made only after the process set out for PPPs of this policy has been completed.

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~~2-24.1.2.2~~ Is subject to compliance with Section 33 of the Act (contracts having future budgeting implications)

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~~iii-24.1.3~~ When complying with the PPP portion of this policy, the municipality must specifically solicit the views and recommendations of the National Treasury on:

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~~1-24.1.3.1~~ The proposed terms and conditions of the draft public-private partnership agreement.

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~~2-24.1.3.2~~ The municipality's plan for the effective management of the agreement after its conclusion.

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~~3-24.1.3.3~~ The preferred bidder's:

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~~a-24.1.3.3.1~~ Competency to enter into the public-private partnership agreement.

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~~b-24.1.3.3.2~~ Capacity to comply with his or her obligations in terms of the public-private partnership agreement.

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~~b-24.2~~ **BASIC REQUIREMENTS TO WHICH PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS MUST COMPLY**

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~~i-24.2.1~~ A public-private partnership agreement between the municipality and a private party must:

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~~1-24.2.1.1~~ Provide value for money to the municipality.

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~~2-24.2.1.2~~ Be affordable for the municipality.

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~~3-24.2.1.3~~ Describe in specific terms the nature of the private party's role in the public-private partnership.

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~~4-24.2.1.4~~ Confer effective powers to the municipality:

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~~a-24.2.1.4.1~~ To monitor implementation of, and to assess the private party's performance under, the agreement.

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~~b-24.2.1.4.2~~ To make and enforce the agreement.

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~~5-24.2.1.5~~ Impose financial management duties on the private party, including transparent processes relating to internal financial control, budgeting, accountability and reporting.

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~~6-24.2.1.6~~ Provide for the termination of the agreement if the private party:

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~~a-24.2.1.6.1~~ Fails to comply with terms or conditions of the agreement.

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~~b-24.2.1.6.2~~ Deliberately provides incorrect or misleading information to the municipality.



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7.24.2.1.7 Restrain the private party, for the full period of the agreement, from offering otherwise than in accordance with the agreement an employment, consultancy or other contract to a person:

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a.24.2.1.7.1 Who is an official of the municipality under the sole or shared control of the municipality.

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b.24.2.1.7.2 Who was such an official at any time during a period of one year before the offer is made.

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8.24.2.1.8 Restrain the private party, for a period of three years, from offering an employment, consultancy or other contract to an employee of the municipality directly involved in the negotiation of the agreement.

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9.24.2.1.9 Comply with section 116(1) of the Act.

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i.24.2.2 Any municipal employee participating in the negotiation of the public-private partnership agreement may not be employed by the private party in the public-private partnership for a period of three years.

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e.24.3 **SIGNING OF PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS**

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i.24.3.1 Only the Accounting Officer may sign a public-private partnership agreement on behalf of the municipality.

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ii.24.3.2 The Accounting Officer may not sign a public-private partnership agreement unless Section 33 of the Act has been complied with.

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d.24.4 **PROJECT OFFICERS**

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i.24.4.1 Prior to notifying the National Treasury the Accounting Officer must appoint a person with appropriate skills and experience, either from within or outside the municipality, as the project officer for the public-private partnership.

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ii.24.4.2 The project officer is responsible for performing:

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1.24.4.2.1 The duties set out in Section 116(2)(c)(i) and (ii) of the Act.

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2.24.4.2.2 Any other duties or powers delegated by the Accounting Officer to the project officer in terms of Section 79 of the Act.

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e.24.5 **RESPONSIBILITIES OF ACCOUNTING OFFICERS**

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i.24.5.1 The Accounting Officer must, in addition to complying with Section 116(2) of the Act, take all reasonable steps to ensure:

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1.24.5.1.1 That the outsourced activity is effectively and efficiently carried out in accordance with the agreement.

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~~2-24.5.1.2~~ That municipal property, which is placed under the control of the private party in terms of the agreement, is appropriately protected against forfeiture, theft, loss, wastage and misuse.

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~~3-24.5.1.3~~ That the municipality has contract management and monitoring capacity.

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~~4-24.6~~ **AMENDMENT OF PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS**

~~1-24.6.1~~ A public-private partnership agreement may be amended by the parties provided:

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~~1-24.6.1.1~~ Section 116(3) of the Act has been complied with.

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~~2-24.6.1.2~~ The amendment is consistent with the basic essentials of public-private partnership agreements.

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~~ii-24.6.2~~ At least 60 days before a public-private partnership agreement is amended, the Accounting Officer must solicit the views and recommendations of the National Treasury and the Provincial Treasury on the reasons for the amendment. The period may be shortened if the National Treasury and relevant Provincial Treasury respond earlier.

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~~1925~~ **PROCUREMENT OF BANKING SERVICES**

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~~a-25.1~~ Banking services must be procured through competitive bids, must be consistent with section 7 of the MFMA and may not be for a period of more than five years at a time.

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~~b-25.2~~ The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

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~~e-25.3~~ 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. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990).

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### **1 INTEGRATED LOGISTICS MANAGEMENT**

- 1.1 The logistics management policy must provide for an effective system for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores management, expediting orders, transport management, vendor performance, maintenance and contract administration.
- 1.2 The system has the following 6 specific sub-processes:
- 1.2.1 Accounting;
- 1.2.2 Inventory management;
- 1.2.3 Transit;
- 1.2.4 Stores management;
- 1.2.5 Transport management; and
- 1.2.6 Challenges of distribution.
- 1.3 The foundation of integrated logistics management is total cost analysis, defined as minimising the total cost of transportation, warehousing, inventory, order processing and information systems; the integrated logistics management refers to administering the various activities as an integrated system.
- 1.4 Management should strive to minimise the total cost of logistics rather than the cost of each activity. Attempts to reduce the cost of individual activities may lead to increased total costs.

### **2 ACCOUNTING**

#### **2.1 ACCOUNTING FOR STORES AND SERVICES**

##### **2.1.1 Principles of accounting**

The principles mentioned below must always be kept in mind when accounting takes place.

###### **2.1.1.1 *Accountability***

- In terms of stores and equipment, it must always be accounted for whilst in stock or in use. Accounting continues until the items are consumed, unserviceable, surplus to requirements or redundant and the prescribed disposal action taken.

###### **2.1.1.2 *Delegation***

- The assignment of responsibility and authority from a higher to a lower organisational level must always take place when the responsibility and

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accountability for stores and equipment or a function is transferred between two officials.

### **2.1.1.3 Competency**

- A function or task may only be delegated to a qualified and competent official.

### **2.1.1.4 Handing and taking over**

- Proper handing and taking over procedures must be instituted to ensure the continual determination of responsibility for stores and the administration thereof.

### **2.1.1.5 Division of functions**

- Functions, such as the accounting for stores and equipment and the warehousing thereof should not be entrusted to the same official. Functions should be separated to ensure proper control and the elimination of irregularities.

### **2.1.1.6 Authorisation**

- All accounting transactions must be authorised by means of a signature at the level as prescribed for the nature of the transaction taking place.

### **2.1.1.7 Legibility**

- Documentation must be legible and completed in ink (black and blue only).

### **2.1.1.8 Unique number series**

- Different types of documentation or files are to be numbered in their own series, commencing with number one at the beginning of each financial year.

### **2.1.1.9 Blank spaces**

- No spaces are to be left between entries. A rule-off line is also to be drawn under the last entry.

### **2.1.1.10 Numbering of documents**

- All accounting documents must be numbered in a unique series applicable to the transaction being reflected.

### **2.1.1.11 Alterations to documents**

- Source and accounting documents and ledgers may not be altered. Any alterations that need to be made must be done by means of discrepancy (adjustment) vouchers. If this is not practical, the error may be corrected by drawing a single line through the error. The official and the supervisor authorising the alteration must sign the correction. Under no circumstances

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may correcting ink be used in or on any file, documents, ledger cards or registers.

### **2.1.1.1.2** *Quittance*

- Acknowledgement of receipt of all stores and equipment must take place by allocating receipt numbers and signatures to accounting documents. Copies of the acquitted documents must be filed in sequential order.

### **2.1.1.12** *Dual entry*

- The dual entry system is applicable to all internal issues and receipts of A-class items. Transactions can take place between the main ledger of two self-accounting entities or between main ledger- and distribution (or personal) accounts within the same department.

### **2.1.1.13** *Pre-posting of transactions*

- Accounting (posting on ledgers) for stores and equipment must take place before the relevant item is physically removed or placed in the rack.

### **2.1.1.14** *Auditing*

- A vetting clerk is to confirm the correctness of transactions by auditing all accounting transactions. The internal audit unit will also carry out audit and the risk management committee will manage risk determination audits.

### **2.1.1.15** *Completeness of documents*

- All documents must be completed in terms of the information required to ensure that it is a legal document. Documents should normally at least reflect the date, item/service description, authorisation for transaction and the relevant signatures and cross-reference.

### **2.1.1.16** *Item control number (ICNs)*

- ICNs must be used on all accounting documents.

### **2.1.1.17** *Source (substantiating) documents*

- There must always be source documents to substantiate any accounting transactions.

### **2.1.1.18** *Retention of documents*

- All source documents and vouchers created, must be filed in sequence and retained for the periods as prescribed by the Archives Act.

### **2.1.1.19** *Disposal*

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- All accounting documents must be disposed of in accordance with the disposal policy.

### **2.1.1.20 Safe custody**

- All documents must be held in safe custody by ensuring that buildings are secure and that the relevant fire prevention, loss control and quality control procedures are followed.

### **2.1.1.21 Preservation of documents**

- Documents must be preserved whilst held in the registry.

## **2.1.2 Ledger accounts**

2.1.2.1 All stores, items or services received must be accounted for.

2.1.2.2 Services rendered will be regarded as E-class accountable.

2.1.2.3 A-class items are accounted for on all levels, and are those items which are not consumable or expendable, and which can be replaced when they become unusable for the purpose, for which they have been acquired (tables, chairs, clothing, etc.)

2.1.2.4 E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable after being used (soap, toilet paper, chalk, etc).

2.1.2.5 A-class items must be accounted for on an A-class item ledger card and E-class on an E-class item ledger card before issued, by means of a receipt voucher.

2.1.2.6 A- and E-class ledger cards must be completed in full and must be authorised to be opened by the chief accounting clerk. When the chief accounting clerk is transferred, the new chief accounting clerk as recorded in the index register must countersign all cards.

2.1.2.7 An index register must be kept for all opened A- and E-class ledger cards.

2.1.2.8 Under no circumstances may A- and E-class ledger cards be kept with the stock.

2.1.2.9 The index register must be kept separate from all ledger cards.

2.1.2.10 Under no circumstances will ledger cards or tally cards reflecting transactions be destroyed before the prescribed period of time has elapsed. This timeframe is according to the National Archives Act of South Africa (Act No43 of 1996).

## **2.1.3 Accounting actions**

2.1.3.1 Accounting in respect of all stores, equipment, livestock and services rendered is to be effected on ledger cards.

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- 2.1.3.2 Due to the fact that E-class accountable items are consumable/expendable, accounting thereof is only done on chief user level. After issue for local or internal use no accounting is necessary. However proper and strict control is to be implemented, i.e. counter book or register. This principle will never apply to a store, where accounting on all levels must be done.
- 2.1.3.3 On receipt of the invoice reflecting the correct total for stores (a transit function) or service rendered, it must be certified as correct. A receipt voucher will be completed reflecting all the necessary information and will be posted on the ledger cards.
- 2.1.3.4 The aim of this accounting action is to determine the total expenditure for services, stock, equipment and items rendered for the financial year. Totals must therefore be correct.

### **2.1.4 Receipt/Issue voucher**

- 2.1.4.1 The receipt voucher must be used for external receipts as well as external stores issues.
- 2.1.4.2 The principles for accounting are applicable. The following must also be noted:
- The original is to be completed in blue or black pen. Black or blue carbon paper is to be used for the copies (normally not more than 4), but can vary according to the type of transaction.
  - A serial/voucher number is to be allocated to each receipt/issue voucher, starting at 001 on 1 July each year.
  - The receipt voucher numbers is taken up from the relevant receipt voucher file and the issue voucher number is taken up from the external issue voucher file. A copy of the voucher, receipt or issue is registered on the specific file and filed in the relevant file.
  - Under no circumstances may this file leave the office where it is kept.
  - This receipt voucher is used to post transactions to the relevant ledger cards.
  - When the issue voucher is acquitted, the user will receive a copy and the acquitted voucher is then used to post this item to the user distribution account.
  - A copy of the receipt voucher must accompany the order for payment as proof of receipt and not only the invoice.
  - All vouchers are to be filed in number sequence in the relevant files.

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### **2.1.5 Register for ledger cards**

- 2.1.5.1 When opening a ledger/tally card a register number is to be allocated to each card. An index register is used for this function to see that one item have not issued another card.
- 2.1.5.2 The index register is to be kept by the chief accounting clerk and only he/she can open a register card.
- 2.1.5.3 Information reflected on the index register must be printed and be under direct control of the chief accounting clerk.

### **2.1.6 Distribution register**

- 2.1.6.1 All A-class accountable stores items issued to users are to be accounted for in the distribution ledger card.
- 2.1.6.2 The distribution ledger card is to be numbered in the "card number" column.
- 2.1.6.3 A distribution ledger card must be opened for every user. The totals of items are required for verification during stocktaking.
- 2.1.6.4 All issue and receipt voucher to a specific user must be posted on his/her distribution ledger.
- 2.1.6.5 When an item is issued to an individual, his distribution card will be numbered with his/her employee number.
- 2.1.6.6 In case of stores transfers between distribution account holders, an internal requisitioning voucher can be used. Codes are to be reflected on the requisitioning voucher. The budget section must make the adjustments on the users commitment registers.
- 2.1.6.7 Where serial numbers are applicable, it must be entered on this card.
- 2.1.6.8 No cards may be disposed of before the dates as stated in the National Archives Act of South Africa (Act No 43 of 1996).

### **2.1.7 Inventory holders**

- 2.1.7.1 Every distribution account holder (the person accountable) may delegate duties and responsibilities to inventory holders in writing, per room, floor or building.
- 2.1.7.2 The duties must include the responsibility for checking and stocktaking of the articles in use (A-class) and the completion of the inventory register. These duties can be given to an official over and above his/her normal duties. Checking of the inventory register must be done on a quarterly basis. The inventory register must be signed and dated.



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### **2.1.8 Inventory register**

- 2.1.8.1 All A-class accountable stores are to be accounted for on inventory registers.
- 2.1.8.2 Vouchers received are to be used to record those transactions on inventory registers.

### **2.1.9 Private equipment register**

- 2.1.9.1 Officials making use of their personal equipment (such as PCs) on state property must declare such and obtain authority. These items must be reflected on the private equipment register. The inventory register can be utilised for this purpose.
- 2.1.9.2 The private equipment register must be checked regularly. It must be signed and dated by a person authorised to do so by the Accounting Officer.

## **2.2 VOUCHER REGISTRATION**

- 2.2.1 The management of voucher files and records has a direct influence on the effectiveness of the internal and external SCM accounting. The voucher registry must allow for the orderly and accurate storage of accounting documentation. All accounting records created or received during the execution of the SCM functions are public records that must be stored for easy accessibility, facilitating transparency and accountability.
- 2.2.2 The Archives Act prescribes the requirements for the management of records and it is therefore imperative that records are managed in accordance with the Act and subject to the laid down laws, rules and regulations.

### **2.2.3 Role of voucher registries**

- 2.2.3.1 Voucher registration is the activity where all SCM accounting documentation is registered, scrutinised and controlled.

### **2.2.4 Functions of voucher registries**

- 2.2.4.1 The following functions should be allocated to this section:
  - Opening and maintenance of registers for the registration of accounting documents.
  - Audit of accounting documentation to ensure that transactions have been finalised.
  - Filing of finalised documents in numerical sequence.
  - Quittance to other accounting entities for external transactions.
  - Archiving of documents.

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- Disposal of files.

### **2.2.5 General requirements**

#### **2.2.5.1 Safety and preservation**

- Steps must be taken to ensure the physical safety and security of personnel, property, equipment, assets and documentation. Damage prevention such as fire appliances, pest control and emergency plans must be maintained.

#### **2.2.5.2 Quality control**

- The policy on quality control measures must be implemented for all processes and procedures by regular inspections and updating of instructions.

#### **2.2.5.3 Loss control**

- Support must be given to the loss control officer as appointed by the head of the department. The reporting procedures, reports and procedures prescribed by the loss control officer must be strictly adhered to.

#### **2.2.5.4 Documentation**

- The documentation pertaining to voucher registries must be managed in accordance with the National Archives Act, 1996 and the National Archives Guidelines as set out in the Records Management Policy.

#### **2.2.5.5 Division of activities**

- In order to achieve and maintain efficient control, the activities of voucher registries must be separated from other activities such as acquisition and the physical handling of goods and equipment.

#### **2.2.5.6 Information**

- The flow of information with regard to voucher registries must be formalised by the maintenance of appropriate registers and files.

#### **2.2.5.7 Handing and taking over**

- The roles, functions, responsibilities and accountability for the management or execution of voucher registries must be formally handed and taken over by officials relinquishing or taking over any of these functions as prescribed in the delegation policy.

#### **2.2.5.8 Competency of officials**

- Responsibilities and accountability cannot be delegated or handed over without the officials being competent to perform such functions. Proper training and regular audits and inspections of their capabilities must be prescribed to ensure the competency of officials

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### **2.2.5.9 Security**

- The procedures to be promulgated must address at least the following aspects:
  - General physical security.
  - Control over the removal of resources.
  - Protection of information and confidentiality.
  - Protection against unauthorised access.
  - Maintenance and protection of record integrity against alternation or deletion.

## **2.3 HANDING AND TAKING OVER**

### **2.3.1 Handing and taking over requirements**

2.3.1.1 Where handing and taking over between logistics officials, who are in control of stores/equipment, takes place, a handing and taking over certificate shall be completed. When administration functions such as accounting, transport, registries or transit are handed and taken over, certificates from subordinates to the effect that the tasks in that function are up to date and that no irregularities exist, should accompany the certificate.

2.3.1.2 Handing and taking over is also applicable to inventory holders.

2.3.1.3 If for any reason the person relinquishing responsibility is not available, an impartial official shall be nominated in writing by the Accounting Officer, to assist the person taking over the functions and the certifying of any discrepancies/irregularities.

### **2.3.2 Assuming and relinquishing of accountability**

2.3.2.1 The Accounting Officer, his/her stores/equipment controllers and all inventory holders are accountable for the functions, stores and equipment under their control.

2.3.2.2 Whenever a temporary or permanent change in appointment of these officials takes place, handing and taking over is to be carried out between the persons assuming and relinquishing the post.

2.3.2.3 The signing of the certificate implies that the outgoing person relinquishes his accountability whilst the incoming person accepts it.

2.3.2.4 In case of failure to comply with the requirements of a handing and taking over certificate, the person taking over shall be liable for any shortages/irregularities,

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unless it can be established that the shortages/irregularities existed prior to his/her taking over.

### **2.3.3 Handing and taking over by Accounting Officers**

2.3.3.1 If a complete stock take within a reasonable time is impracticable, the incoming Accounting Officer is to obtain supporting certificates from all key logistics officials (stores officials, transport officials, inventory holders, chief users, etc.) pertaining to the following:

- Duties and responsibilities.
- Accounting for stores and equipment.
- Stocktaking for the previous financial year.
- The stocktaking programme.
- Stores and equipment are being properly stored, preserved, and safeguarded against fire and theft.
- Outstanding Disposal Committee matters.
- The quality of stores administration.
- Audit queries.
- Building, fixtures and fittings.
- Official quarters.
- Maintenance of all facilities.
- Stores discrepancies.

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### **2.3.3.2 Relinquishing a post in the absence of an Accounting Officer**

- If an Accounting Officer who relinquishes the post cannot attend the handing and taking over, the mayor is to appoint a capable impartial officer in writing to assist the incoming Accounting Officer.

### **2.3.4 Handing and taking over between officials in control of stores and equipment**

2.3.4.1 When logistics officials and inventory holders relinquish their posts and are replaced, stocktaking of all stores and equipment under their control is to be carried out in the presence of their successors.

#### **2.3.4.2 Amended handing and taking over procedure**

- When a complete stocktake within a reasonable time is impracticable, the head of the office may request prior authority from the Accounting Officer to follow an amended handing and taking over procedure.
- Should an amended handing and taking over procedure be authorised the incoming member is to obtain supporting certificates from all key officials who will be under his control and also from inventory holders where applicable.
- Any information that needs to be brought to the attention of the Accounting Officer is to accompany the handing and taking over certificate.
- If a member who relinquishes his post cannot be present during the handing and taking over, the Accounting Officer is to appoint an impartial person in writing to assist the incoming member.

### **2.3.5 Handing and taking over for inventory holders**

2.3.5.1 Changing of inventory holders may only take place on receipt of a written instruction from the head of the office.

2.3.5.2 If a member who relinquishes his post cannot be present during the handing and taking over, the head of the office is to appoint an impartial person in writing to assist the incoming official.

### **2.3.6 Discrepancies during handing and taking over**

2.3.6.1 All stores (surplus and deficiencies) that are revealed during the handing and taking over are to be investigated.

## **2.4 PLACING OF ORDERS**

2.4.1 Detail processes and procedures in respect of placing of orders are captured in the procedure manual. Placing of orders must at all times take place in accordance with this procedure manual.

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### **2.5 STOCKTAKING**

- 2.5.1 Detail processes and procedures in respect of stocktaking are captured in the procedure manual. Stocktaking must at all times take place in accordance with this procedure manual.
- 2.5.2 Due to the inherent surpluses and deficits in stock only surpluses or deficits that are considered material will be submitted to council for write-off or take-in approval. The surpluses and deficits will be considered material if they exceed the lesser of R 15 000.00 or 5% of the value of the stock.

### **3 INVENTORY MANAGEMENT**

- 3.1 Detail processes and procedures in respect of inventory management are captured in the procedure manual. Inventory management must at all times take place in accordance with this procedure manual.

### **4 TRANSIT**

- 4.1 Detail processes and procedures in respect of goods in transit are captured in the procedure manual. Goods in transit must at all times be handled in accordance with this procedure manual.

### **5 STORE MANAGEMENT**

- 5.1 Detail processes and procedures in respect of store management are captured in the procedure manual. Store management must at all times take place in accordance with this procedure manual.

### **6 TRANSPORT MANAGEMENT**

- 6.1 Detail processes and procedures in respect of transport management are captured in the procedure. Transport management must at all times take place in accordance with this procedure manual.

### **7 CHANNELS OF DISTRIBUTION**

- 7.1 Goods must be physically moved or transported between the place they are produced and the place they are consumed. Channels of distribution develop when many exchanges take place between suppliers and consumers.
- 7.2 The objective is to obtain optimum performance of the distribution channel at minimum total cost. In order to be successful, the supply chain manager must select the appropriate channel structure, choose the intermediaries to be used and establish procedures regarding channel members (i.e. organisational units responsible for warehousing, transport, etc.) and devise information and control systems to ensure that performance objectives are met.
- 7.3 The advantages of a channel of distribution are:

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- 7.3.1 Intermediaries (i.e. transit, stores) evolve in the process of exchange because they can increase the efficiency of the distribution channel by creating time, place and possession benefit to the end user (i.e. at the right time and right place).
- 7.3.2 Intermediaries enable the adjustment of the discrepancy of assortments demanded by the end user, by performing the following functions:
  - 7.3.2.1 Breaking down a heterogeneous supply into separate stocks that are relatively homogeneous.
  - 7.3.2.2 Bringing similar stocks together into a larger homogeneous supply.
  - 7.3.2.3 Breaking a homogeneous supply down into smaller and smaller parts.
  - 7.3.2.4 Building up the assortment of products.
- 7.3.3 The cost of distribution can be minimised if transactions are routine. Channel cooperation and efficiency are improved by the routine handling of transaction.
- 7.3.4 Intermediaries reduces some or all of the following costs:
  - 7.3.4.1 Transportation costs (fewer but larger volume shipments).
  - 7.3.4.2 Inventory carrying costs.
  - 7.3.4.3 Storage costs.
  - 7.3.4.4 Order processing costs.

## **8 CONTRACT MANAGEMENT**

### **8.1 MANAGING THE CONTRACT**

- 8.1.1 The Accounting Officer must take all reasonable steps to ensure that a contract or agreement procured through the SCM policy of Maluti-a-Phofung is properly enforced.
- 8.1.2 Both the user department and the SCM unit have a responsibility towards managing a contract.
- 8.1.3 The nature of the responsibility will determine who manages the specific contractual aspect.

### **8.2 CONTRACT MONITORING**

- 8.2.1 The Accounting Officer must monitor on a monthly basis the performance of the contractor under the contract or agreement.
- 8.2.2 The Accounting officer must regularly report to the Council on the management of the contract or agreement and the performance of the contractor.

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8.2.3 Constant monitoring is essential to ensure that contractual obligations are met and that contracts run with as little disruption as possible.

8.2.4 The SCM Unit is responsible for notifying the user department timely of term contract expiry that will allow the user department sufficient time to decide whether to renew the contract.

8.2.5 The user department must ensure that the contractor performs according to the stipulations of the contract in delivering the goods or services on time, in the correct quantity and to the required standard.

8.2.6 Regular meetings with contractors to discuss progress, deliverables, foreseeable problems and/or amendments must be held during the contract period.

### **8.3 TRADEMARK/BRAND NAME**

8.3.1 If a bid is accepted for a particular trademark/brand name, that trademark/brand name must appear on the product and substitute products must not be accepted.

### **8.4 NON-CONTRACTUAL PURCHASES**

8.4.1 Small quantities of supplies or minor services may be procured outside of the contract in the following circumstances:

8.4.1.1 In cases of emergency; or

8.4.1.2 When the contractor's point of supply is not situated at or near the place where the supply or service is required; or

8.4.1.3 If the contractor's supplies or services are not readily available.

8.4.2 Purchases outside the contract must be restricted to requirements that are absolutely necessary to satisfy the immediate requirement and the action must always be justifiable against the contract conditions.

8.4.3 Acquisition procedures must in all instances be followed when procuring outside of existing contracts.

### **8.5 OVER-/UNDER DELIVERIES**

8.5.1 Over- and under-deliveries may be accepted in accordance with the Accounting Officer's delegated powers.

### **8.6 UNSATISFACTORY PERFORMANCE**

8.6.1 Continuously communicate unsatisfactory performance to contractors in writing compelling the contractor to perform according to the contract and thus to rectify or to restrain from unacceptable actions.



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### **8.7 LATE DELIVERIES**

- 8.7.1 The GCC states that delivery of supplies shall be made in accordance with the conditions specified in the contract.
- 8.7.2 Before action due to late delivery is instituted against a contractor who has offered a firm delivery period, the circumstances under which the late delivery took place must be investigated. There may be valid reasons for the late delivery, which are beyond the control of the contractor, in which case action cannot be taken summarily against the contractor.
- 8.7.3 On the other hand, contractors must be allowed to delay deliveries repeatedly even where non-firm delivery periods have been offered. Wherever possible, firm delivery periods must be insisted upon before a bid is accepted, as well as when the issue of late deliveries crops up during the period of a contract.

## *Section 13: Disposal Management*

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### **1 SYSTEM OF DISPOSAL MANAGEMENT**

- 1.1 The disposal management policy must provide for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets, subject to section 14 of the MFMA.
- 1.2 Disposal is managed by the following two (2) sub-processes:
- 1.3 Disposal planning.
- 1.4 Determining methods of disposal.

### **2 DISPOSAL PLANNING**

#### **a. OBSOLESCENCE PLANNING**

- i. Action to eliminate the obsolete item need only be taken when the stock level threatens the availability of the equipment.
- ii. For the period leading up to upgrades, in-service equipment will be managed to only maintain current capability and availability.
- iii. Anticipating and solving obsolescence problems is considerably cheaper than waiting until later when major equipment redesign is called for and equipment availability is threatened. Requiring higher shorter-term costs, a policy of spend to save needs therefore to be adopted.
- iv. A proactive approach to the identification of potential obsolescence risks is necessary. Once identified, each obsolescence risk needs to be assessed to determine its criticality.
- v. What is crucial to the assessment of obsolescence risk is not the time at which a unit or component goes obsolete, but when as a result of the obsolescence, equipment availability will be threatened, the factors are:
  - Criticality point (*This is the point in time at which availability of the equipment is threatened by lack of parts and/or spares*).
  - Cost impact (*This is determined by the expected costs that would be incurred to solve the problem if no action is taken until the time of occurrence of the obsolescence*).
  - Prioritization (*Prioritize all current obsolescence risk by order of the point of criticality and in order of cost. The most critical will then need to be considered further for resolution of the specific problems*).
- vi. For each obsolescence risk, it needs to be decided what technology option is to be adopted, the support which is to be provided, the contracting arrangements needed, the maintenance policy which is implied and the identification of any consequential risks.

## *Section 13: Disposal Management*

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- vii. Whatever techniques are chosen for managing obsolescence, solid configuration management and well disciplined change control procedures must be employed in order to ensure that a correct picture is available of the current equipment situation and of all the configuration options which are available for implementation.

### **b. RENEWAL PLANNING**

- i. The asset renewal-planning phase involves the assessment of existing assets and planned acquisitions against IDP requirements.
- ii. Proposals for new assets must be justified by a thorough evaluation of all IDP options.
- iii. The municipality should develop IDP strategies which:
  - Define the scope, standard and level of programme services to be delivered.
  - Assess the methods of delivering these services.
  - Determine, where appropriate, methods of containing the demand for the services.
  - Identify the resources including assets, required to deliver the services. Service options need to be evaluated on financial, economic, social and environmental grounds.
- iv. The evaluation of existing assets determines whether their performance is adequate to support the selected service delivery strategy. This process presupposes that appropriate condition and performance standards are set for assets. Asset performance is to be reviewed regularly against best practice benchmarks to identify assets that are under-performing, or costly to own or operate.
- v. The evaluation should reveal assets that provide more than their required capacity, or are surplus to requirements. Assets that have been inadequately maintained may pose potential safety or health risks, disrupt essential services, or incur unforeseen expenditure for the correction of defects. Replacement may be a possible option in this case.
- vi. All assets currently being used to deliver the service under consideration need to be identified and registered. How effectively these assets support service requirements also have to be determined. As part of this process, assets should be evaluated in terms of their:
  - Physical condition
    - a. Is the asset adequately maintained?
    - b. Are major replacements or refurbishments likely to be required during the planning period?
  - Functionality

## *Section 13: Disposal Management*

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a) How well suited is the asset to the activities and functions it supports?

- Utilisation

a. How intensively is the asset used?

b. Could it be used more productively or accommodating additional functions?

- Financial performance

a. Are the assets' operating costs similar to those for other comparable assets?

i. The assessment of existing assets must include those assets in the process of being acquired or that are committed. The result of evaluating existing and anticipated new assets is a list of assets available or expected to be available.

ii. The planning process should match the prospective demand for assets with the current asset supply to develop the renewal strategy.

**c. UNSERVICEABLE/OBSOLETE/REDUNDANT ITEMS**

i. During stock take, the stocktaking team must ensure that the following actions are taken:

- Check the quantity and condition of inventory items to establish whether it is considered to be in a reasonable state of serviceability.
- Check for items that have been issued and are not being used.
- Check whether issued items are being used for the purpose intended.
- Check for unserviceable, repairable, obsolete or redundant items.

ii. After completion of the stock take, a stocktaking report must be compiled and submitted to the supply chain manager. This will form the basis of the following lists:

- Unserviceable items.
- Obsolete items.
- Redundant items.

**d. DISPOSAL STRATEGY**

## *Section 13: Disposal Management*

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- i. Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives should be evaluated in cost-benefit terms.
  - ii. A disposal strategy establishes the rationale for the anticipated time and method of and the expected proceeds on disposal. The strategy is reviewed and refined, if necessary, prior to disposal, to take account of the market and physical condition of the assets.
  - iii. Under-utilised and under-performing assets are identified as part of a regular, systematic review process.
  - iv. The reasons for under-utilisation or poor performance are critically examined and corrective action taken to remedy the situation or a disposal decision is made.
  - v. Analysis of disposal methods has regard to potential market values or other intrinsic values such as the location and volume of assets to be disposed of, the ability to support other programmes, environmental implications and regular evaluation of disposal performance.
  - vi. Effective management of the disposal process will minimise holdings of surplus and under-performing assets and will maximise the return of such assets.
- e. THE DISPOSAL DECISION**
- i. The disposal decision cannot be taken in isolation. Asset disposal decisions are to be made within an integrated, service and financial planning framework. While disposal is viewed as the final stage in asset management it is common for disposal action to trigger the acquisition of a new asset or a replacement asset.
  - ii. The asset register is a starting point for this analysis as it records the useful lives of assets and is able to provide an indication of the timing of major replacements in the normal course of business.
  - iii. Other important documents necessary to take a disposal decision are:
    - The obsolescence plan.
    - The renewal plan.
    - The list of unserviceable items.
    - The list of obsolete items.
    - The list of redundant items.
  - iv. The following policy guidelines are provided to help the municipality to dispose of their assets in an accountable manner. The municipality should:
    - Establish and maintain an asset information system, which records all relevant information on assets in disposal management.

## *Section 13: Disposal Management*

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- Prepare and evaluate proper costing to support the selection of the most cost-effective disposal method.
- Identify those areas most susceptible to fraud or risks and introduce appropriate preventive measures.
- Identify and communicate the preferred arrangements for disposals to relevant staff.
- Engage experts to develop the terms of contract and to assist in preparing the contract to minimise the exposure to risk.
- Provide clear instructions to the official engaged to undertake the disposal.
- Monitor and evaluate disposal performance regularly for achievement, fair dealing, cost-effective choice of disposal methods and for compliance with the municipality's disposal policies and objectives.

### **f. ALTERNATIVES TO DISPOSAL**

- i. Where assets have been identified as under-performing or no longer functionally suited to programme delivery needs, thought should be given to the following possible alternatives to disposal:
  - A factor to consider is whether utilisation can be increased by adapting the asset to another function or using it in another programme.
  - Refurbishment or an upgrade of the asset may also be viable. The cost and benefit of such alternatives should be included in the disposal strategy.

### **g. DETERMINING METHODS OF DISPOSAL**

- a. The primary methods of disposal include sale by public auction or bidding, sale by private treaty, trade-in, write-off and letting.
- b. Whatever method is chosen, it is important, not least for accountability and transparency, that a properly costed evaluation of relevant disposal option is prepared. This should take into account both the costs associated with each method of disposal and the likely benefits (including possible proceeds).
- c. Before deciding on a particular disposal method, the following matters should be considered:
  - i. The nature of the asset.
  - ii. Its potential market value.
  - iii. Other intrinsic value of the asset.
  - iv. Its location.
  - v. Its volume.

## *Section 13: Disposal Management*

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- vi. Its trade-in value.
- vii. Its ability to support other programmes.
- viii. Environmental considerations.
- ix. Market conditions.
- x. The asset's lifetime.
- xi. Professional valuations play an important role in asset disposal. It can help managers to select the most appropriate selling method. It also helps to set realistic expectations for the sale. If it is required, valuations must be obtained from experienced agents who have knowledge of the type of asset(s) for sale and current market trends.

### **h. DISPOSAL OF CAPITAL ASSETS**

- i. The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanent dispose of a capital asset needed to provide the minimum level of basic municipal services.
- ii. The municipality may transfer ownership or otherwise disposal of a capital asset other than one mentioned above, only after the Municipal Council, in a meeting open to the public:
  - Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.
  - Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- iii. A decision by the Municipal Council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.
- iv. Any transfer of ownership of a capital asset in terms of par 3.4.2 must be fair, equitable, transparent, competitive and consistent with the supply chain management policy of the municipality.
- v. This section does not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.

## *Section 13: Disposal Management*

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### **i. DISPOSAL OF IMMOVABLE PROPERTY**

- i. Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
- ii. Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise.
- iii. All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.

### **j. DISPOSAL OF FIREARMS**

- i. In the case of the disposal of firearms, the National Conventional Arms Control Committee has to approve any sale or donation of firearms to any person or institution within or outside the Republic.

### **k. DISPOSAL OF MOVABLE ASSETS**

- 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. Movable assets may be sold to either by way of written price quotations, competitive bids and auction or at market related prices, whichever is the most advantageous to the municipality. Bid documents must comply with the criteria prescribed in terms of the PPPFA (Act No 5 of 2000).
- iv. Ensure that all immovable property is let at market related rates.
- v. In cases where assets are traded in for other assets, the highest possible trade-in price is to be negotiated.

### **l. COMPUTER EQUIPMENT**

- i. In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment.

### **m. OTHER DISPOSAL MECHANISMS**

- i. Other appropriate ways of disposal may include:
  - Donations.
  - Sale to staff.
  - Sell as scrap.



### *Section 13: Disposal Management*

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- Recycling.
- Cannibalisation.
- Destroying such assets.

#### **n. DISPOSAL REGISTER**

- a) All the steps in the disposal process must be recorded in the disposal register. The disposal manager keeps this register. Such a register must address the following aspects:
- i. Date on which disposal was requested.
  - ii. Sequence serial number of convening.
  - iii. Date of physical inspection by the Disposal Committee.
  - iv. Date that the disposal certificate was submitted to the Accounting Officer.
  - v. The date on which confirmation was given by the Accounting Officer.
  - vi. Actual date of physical disposal of item in terms of confirmation instruction received.
  - vii. Date confirming that disposal instructions were adhered to.

#### **o. GENERAL ISSUES**

- a) At the very least, a comparison of the actual timing and proceed on disposal should be made with the standard established for the class in the municipality's accounting policies. This is a means of confirming that the useful life, estimated proceeds, and therefore the depreciation rates used are valid. It also provides the opportunity to identify causes where assets are routinely not meeting the service life expectations or their estimated proceeds on disposal.
- b) In addition to undertaking the cost-benefit analysis of the methods of disposal, supply chain managers are required to compare actual life at disposal with the expected useful life and to explain significant variations.

## *Section 14: Reporting*

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### **1 GENERAL REPORTING OBLIGATION**

- 1.1 The Accounting Officer must inform the Provincial Treasury, in writing of:
- 1.1.1 Any failure by the Council of the municipality to adopt or implement a supply chain management policy.
- 1.1.2 Any non-compliance by a political structure or office-bearer of the municipality with this policy.
- 1.2 The Accounting Officer of the municipality must submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.
- 1.3 If the Accounting Officer is unable to comply with any of the responsibilities in terms of this Act, he or she must promptly report the inability, together with reasons, to the Mayor and the Provincial Treasury.

### **2 INFORMATION TO BE PLACED ON WEBSITES OF MUNICIPALITIES**

- 2.1 The Accounting Officer must place on the website the following documents of the municipality:
- 2.1.1 All service delivery agreements.
- 2.1.2 All supply chain management contracts above ~~R30\_000~~ [R 100 000](#).
- 2.1.3 An information statement containing a list of assets over R30 000 that has been disposed of during the previous quarter.
- 2.1.4 Contract to which Subsection (1) of Section 33 of the Act apply, subject to Subsection (3) of that Section.
- 2.1.5 Public-private partnership agreements referred to in Section 120.
- 2.2 A document referred to in the paragraph above must be placed on the website not later than five days after its tabling in the Council or on the date of which it must be made public, whichever occurs first.

### **3 MONTHLY REPORTING**

- 3.1 The Municipality shall report monthly to the National Treasury and Municipal Council on the following aspects:
- 3.1.1 Implementation of Supply Chain Management Policy.
- 3.1.2 Awards of bids for more than R 100 00.00 reported to National Treasury.

## *Section 14: Reporting*

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- 3.1.3 Deviation processes followed, non-utilisation of provider list, salami slicing, maverick spend, getting less quotes than prescribed.
- 3.1.4 Urgency/emergency procurement processes followed.
- 3.1.5 Process disputes.
- 3.1.6 Late bids admitted and approved.
- 3.1.7 Instances of fraud or corruption.
- 3.1.8 Value for money.
- 3.1.9 Unsolicited bids considered.
- 3.1.10 Approval of tenders not recommended.
- 3.1.11 Percentages of total spending towards Preferential Points (HDI, SMME's, Local content etc)
- 3.1.12 The Accounting Officer must on a monthly basis report to the Council on the management of contracts or agreements and the performance of the relevant contractors.

### **4 QUARTERLY REPORTING**

- 4.1 The Accounting Officer must within 10 days after the end of each quarter submit implementation reports on SCM for consideration by the Mayor.

### **5 ANNUAL REPORTING**

- 5.1 The Accounting Officer must at least annually within 30 days of the end of each financial year submit reports on the implementation of the SCM policy to the council and the Provincial Treasury.

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

- 5.2.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person, who is a spouse, child or parent of a person in the service of the sate, or has been in the service of the sate in the previous twelve months, including:
  - 5.2.1.1 The name of that person.
  - 5.2.1.2 The capacity in which that person is in the service of the sate.
  - 5.2.1.3 The amount of the award.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

## SCM POLICY

### 1 INTERNAL MONITORING

- 1.1 The supply chain performance management must provide for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.

### 2 ISSUES TO BE REVIEWED

- 2.1 Achievement of goals within the SCM framework, particularly those associated with the Preferential Procurement Policy Framework Act, the Integrated Development Plan and Broad-based Black Economic Empowerment Act and Strategy.
- 2.2 Compliance with norms and standards.
- 2.3 Savings generated.
- 2.4 Stores efficiency.
- 2.5 Cost variance per item.
- 2.6 Contract breach, etc.
- 2.7 Cost efficiency of procurement process (i.e. the cost of the process itself).
- 2.8 Whether supply chain objectives are consistent with Government's broader policy focus.
- 2.9 That the material construction standards become increasingly aligned with those standards that support international best practice.
- 2.10 That the principles of cooperative governance as expounded in the constitution are observed.
- 2.11 That the reduction of regional economic disparities is promoted.
- 2.12 At completion stage of each project, an assessment of the supplier/service provider (including consultants where applicable) be undertaken and that this assessment should be available for future reference. Accounting Officers should take cognisance of the fact that when suppliers do not perform according to their contractual obligations and the Accounting Officer does not address his/her in this regard during the execution of the contract, such non-performance cannot be deemed as sound reason for passing over the bid of such supplier when adjudicating future bids.

## MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

### SCM POLICY

#### 3 DIMENSIONS OF PERFORMANCE

##### 3.1 EQUITY

3.1.1 Measures of equity would monitor the extent to which the municipality has achieved and been able to maintain an equitable supply of comparable services across race groups, regions, and urban and rural areas. It would require the municipality to undertake a benefit incidence analysis aimed at answering, "Who benefits from the services being delivered? And where are the funds being spent and the services delivered?"

##### 3.2 EFFICIENCY

3.2.1 Measures of efficiency seek to reflect how productively resources are translated into service delivery. It is therefore measured by a ratio of output to input. The higher the numerical value of this ratio, the greater the efficiency.

##### 3.3 ECONOMY

3.3.1 Measures of economy look at the cost of inputs, and mode of production to evaluate whether it is cost-effective, i.e. the aim is to answer the question "Was this the cheapest way of producing the desired outputs?" These measures also only have meaning in a relative sense, which means the municipality needs to either compare the actual cost of their outputs with budgeted costs, and explain variances or compare the cost of their outputs with the cost of similar outputs produced elsewhere, e.g. to other state institutions, provinces, in the private sector or in other countries.

##### 3.4 EFFECTIVENESS

3.4.1 Indicators of effectiveness seek to reflect how well the outputs contribute to the achievement of the desired outcomes/objective/goals. Measuring effectiveness assumes a model of how outputs relate to the achievement of the desired outcomes.

##### 3.5 VALUE FOR MONEY

3.5.1 Indicators of value for money explore people's perceptions on whether resources have been well used to impact upon specific outcomes. While indicators of value for money are subjective in nature, the methodology used to collect the information on people's perceptions is usually objective e.g. customer surveys or public opinion surveys.

3.6 Given these different dimensions of performance, the municipality need to develop measurable objectives and related performance measures and targets that capture strategically important aspects of what they are doing or delivering so as to be able to monitor performance.

3.7 All performance measures and targets need to comply with the "carrot" criteria, i.e. they need to be:

## MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

### SCM POLICY

Comparable	Information in a format that can be compared across time, region or institution.
Accessible	Clear, easily understood.
Relevant	Measures something meaningful from a management and oversight perspective.
Reliable	Free from error, unbiased, complete and can be replicated.
Operational	Relatively easy to collect data.
Timely	Must be readily available so it can be used for management and oversight.

#### 4 MONITORING OF MUNICIPAL SUPPLY CHAIN MANAGEMENT

- 4.1 The AO of the municipality must within 30 days of the end of the financial year, submit a report on the implementation of the SCM policy of the municipality, to the Council of the municipality.
- 4.2 Whenever there are serious and material problems in the implementation of the SCM policy, the Accounting Officer must immediately submit a report to the Council of the municipality.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

## SCM POLICY

### 1 PLACING OF ORDERS

#### 1.1 ORDER ADMINISTRATION PROCESS

1.1.1 The order administration process starts with the receipt of a correctly completed procurement file and ends with the delivery of the correct goods/services in the correct quantity/quality at the right place at the right time. The steps of the process entails the following:

1.1.1.1 Receipt/authorisation of the procurement file.

1.1.1.2 Printing of the order.

1.1.1.3 Approving the order.

1.1.1.4 Distribution of the copies of the order.

1.1.1.5 Amendment of an order.

1.1.1.6 Cancellation of an order.

1.1.1.7 Control of orders.

#### 1.2 PRINTING THE ORDER

1.2.1 Where departments do not have their own order printing facilities, printing will be done at a central venue.

#### 1.3 APPROVING THE ORDER

1.3.1 No amendments may be done directly on the order forms. Only the logistics official/s who have been duly authorised thereto in writing may sign orders.

1.3.2 The logistics official must ensure that the word "duplicate" on the corrected order is cancelled and replaced by the work "corrected".

#### 1.4 DISTRIBUTION OF ORDERS

1.4.1 Each department must maintain a register of those orders created to satisfy its needs. The copies of each order must be distributed as follows:

1.4.1.1 Original copy to the supplier.

1.4.1.2 Copies of the order are distributed as follows:

- A copy to the accounting section.
- A copy to the finance section.

## **MALUTI-A-PHOFUNG LOCAL MUNICIPALITY**

### **SCM POLICY**

#### **1.5 AMENDMENT OF AN ORDER**

- 1.5.1 Circumstances may arise when it becomes necessary to amend an order. These circumstances could affect the specific items ordered, the specification of the items, the order quantity, the delivery period, the points of delivery, the packaging or even the delivery intervals in the case where partial deliveries have been specified. Each case must be dealt with on its own merits and in terms of the applicable contracts/terms of reference. Amendments to an order could be initiated by either the supplier or the relevant department.

#### **1.6 CANCELLATION OF AN ORDER**

- 1.6.1 Under certain circumstances, it may be necessary to cancel an order. The matter must be dealt with in terms of the applicable contract/terms of reference and all the relevant parties must be involved, including the municipality's legal advisors.
- 1.6.1.1 Prior approval of the adjudication committee may have to be obtained before an order may be cancelled.
- 1.6.1.2 In cases where an order has been approved for cancellation due to valid reasons, all copies of order must be reclaimed and marked "CANCELLED".
- 1.6.1.3 An affidavit stating the reasons for the cancellation must be attached to the order.
- 1.6.1.4 The supplier must be informed in writing of the reasons, without elaboration, for the cancellation of the order.

#### **1.7 USED ORDER FORMS**

- 1.7.1 Completed, finalised and cancelled order forms must be preserved safely and disposed of after the prescribed period has lapsed.
- 1.7.2 Damaged order forms must be kept for a period of two months before it can be destroyed.
- 1.7.3 In the event that duplicate or additional copies of orders are required for administrative purposes, photocopies must be made to obtain these additional copies. Such copies must be certified as such in accordance with the prescribed procedure.

#### **1.8 CONTROL OF ORDERS**

- 1.8.1 The control of orders must not be neglected. Suitable registers must be considered to ensure the control of orders.



## MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

### SCM POLICY

## 2 STOCKTAKING

### 2.1 ROLE OF STOCKTAKING

2.1.1 Stocktake is done to determine if the quantities of the physical stores, equipment and assets correspond with the balances as indicated on main and distribution (inventory) ledgers. Stocktake on storerooms and inventories must be carried out on a yearly basis. Reports on the findings and requests for approval of losses and discrepancies must be submitted to the Council for approval.

### 2.2 FUNCTIONS OF STOCKTAKING

2.2.1 The following functions should be allocated to stocktaking:

- 2.2.1.1 Determine a stock take programme.
- 2.2.1.2 Ensure that all accounting transactions have been finalised.
- 2.2.1.3 Provide lists of all main and distribution ledger accounts to be verified.
- 2.2.1.4 Do stock count on stores.
- 2.2.1.5 Do stock count on inventories (distribution) accounts.
- 2.2.1.6 Compare totals of physical stock with ledger balances.
- 2.2.1.7 Deal with discrepancies.
- 2.2.1.8 Make adjustments by constructing discrepancies vouchers.
- 2.2.1.9 Complete stocktake report.
- 2.2.1.10 Obtain authority for adjustments.

### 2.3 ORGANISATION FOR STOCKTAKING

#### 2.3.1 *Stocktake officer*

2.3.1.1 A senior officer must be appointed as stocktake officer. The functions of the stock take officer should inter alia include the following:

- Determine a stocktake programme.
- Ensure that all accounting transactions have been finalised.
- Appoint stocktake teams.
- Coordinate stocktake activities at storerooms and inventories at all levels within the municipality.
- Deal with discrepancies by ensuring investigation of the causes.

## MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

### SCM POLICY

- Submit reports.

#### 2.3.2 *Stocktake teams*

2.3.2.1 Teams must be appointed to do stock take at storerooms and on inventories. Internal Audit must be involved in this activity. The functions of the stocktake team should inter alia include the following:

- Execute stock take programme.
- Ensure that all accounting transactions have been finalised.
- Obtain lists of all main and distribution ledger accounts to be verified.
- Do stock count on storeroom.
- Do stock count on inventories (distribution) accounts.
- Compare totals of physical stock with ledger balances.
- Deal with discrepancies by investigating the causes.
- Make adjustments by constructing discrepancy vouchers.
- Complete stocktake report for submission and approval.

### 3 INVENTORY MANAGEMENT

#### 3.1 INVENTORIES

3.1.1 A distribution register is to be kept in order to determine which inventory holders have been issued with a specific item and also the total number of items issued.

3.1.2 Inventory controllers and holders must be appointed in writing and provided with duty sheets, by the Accounting Officer.

#### 3.1.3 Organisation of the inventory accounts section

##### 3.1.3.1 *Division of activities*

- The division (separation) of functions for control purposes should apply where possible. The inventory accounts section consists of the sub-sections mentioned below:
  - Inventories (normal).
  - Personal inventories.
  - Stocktake.

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### SCM POLICY

#### 3.1.3.2 Delegations

- The officials working in the inventory section of logistics must have delegated duties and responsibilities and be provided with a duty sheet.

#### 3.1.4 Functions of the inventory accounts section

3.1.4.1 The following functions should be managed by the inventory accounts section:

- Keeping of inventory records.
- Creation of inventories.
- Decreases/increases in inventory items (issues and receipts).
- Transfer/handing over of inventory items on internal requisition form.
- Dealing with deficiencies, surpluses, unserviceable and obsolete items, etc.
- Repair and maintenance of inventory items.
- Preparation in respect of a disposal action.
- Handling of inventory documents.
- Manage handing and taking over between inventory holders.
- Changing ICNs.

#### 3.1.5 Management of normal inventories

3.1.5.1 Inventory forms are to be printed in duplicate. Any alterations on inventories are strictly forbidden. Any increases/decreases are to be substantiated by vouchers.

3.1.5.2 A separate inventory is to be drawn up for each section or office.

3.1.5.3 Inventories are to be numbered in alpha/numerical sequence per chief user.

3.1.5.4 A record of inventories is to be kept by the official verification clerk. This list is to be started on 1 July of a particular year and is to be kept for a cycle of 5 years.

3.1.5.5 Entries on inventories are to be numbered consecutively.

3.1.5.6 The opening balance of the inventory register is the end total, which is brought forward from the registers used in the previous 5 year cycle.

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- 3.1.5.7 If for any reason during the 5 year cycle the inventory register becomes illegible or unsuitable for further use, the totals of all the items are to be carried forward to a new inventory register.
- 3.1.5.8 If one of the certificates on the reverse side of the inventory register form becomes inadequate, the inventory is to be carried forward on to a new form and is to be kept and filed as determined in paragraph 3.1.5.9.
- 3.1.5.9 All old inventory registers in respect of a particular inventory are to be chronologically filed in a separate file.
- 3.1.5.10 All entries/adjustments to inventories are to be regularly checked by official verifiers.
- 3.1.5.11 Changes in inventory holders are to be substantiated by the completion of the handing and taking over certificates. Changes in inventory controllers may only take place on receipt of a written instruction from the head of the office.
- 3.1.5.12 If, for specific reasons the official handing over is unable to be present, the head of the office is to nominate, in writing, a neutral official who has a knowledge of the specific inventory's stores, to assist the official taking over with the checking and certifying of the relevant stores.
- 3.1.5.13 Officials in direct control of stores and equipment, are to verify these items quarterly and any surpluses/deficiencies which determined are to be reported to the supervisors, in writing. Nil returns are to be submitted.

### 3.1.6 General information on inventories

#### 3.1.6.1 *Personal inventory register*

- A record of all personal inventories is to be kept by the official verification clerk.

#### 3.1.6.2 *Serialised items*

- Safes and all serialised items must be issued to a normal inventory. Upon issuing serialised items, the serial number must be noted on the issue voucher. Computers, cellular phones and other accessories can be issued to officials on his/her personal inventory.

#### 3.1.6.3 *Marking*

- All equipment on inventories should be marked with the state ownership mark.

#### 3.1.6.4 *Transfer procedures*

- Any inventory item is issued to a specific inventory. If it is no longer required, it can be issued to another inventory.

## MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

### SCM POLICY

#### 3.2 PURPOSE OF HOLDING INVENTORY

##### 3.2.1 Inventory serves four (4) purposes within the municipality:

- 3.2.1.1 It enables the municipality to achieve economies of scale.
- 3.2.1.2 It balances supply and demand.
- 3.2.1.3 It provides protection from uncertainties in demand and order cycle.
- 3.2.1.4 It acts as a buffer between critical interfaces within the channel of distribution.

#### 3.3 TYPES OF INVENTORY

##### 3.3.1 Inventories can be categorised into the following types:

###### 3.3.1.1 *Cycle stock*

- Cycle stock is inventory that results from the replenishment process (acquisition management) and is required in order to meet demand under conditions of certainty.

###### 3.3.1.2 *In-transit inventories*

- In-transit inventories are items that are en route from the supplier to the end-user.

###### 3.3.1.3 *Safety stock*

- Safety stock is held in excess of cycle stock because of uncertainty in demand or lead time.

###### 3.3.1.4 *Dead stock*

- Dead stock is the set of items for which no demand has been registered for some period of time.

#### 3.4 INVENTORY MANAGEMENT UNDER CONDITIONS OF UNCERTAINTY

##### 3.4.1 Economic order quantity (EOQ)

- 3.4.1.1 The economic order quantity model may be used to minimise the total of inventory carrying and ordering costs. By determining the EOQ and dividing the annual demand by it, the frequency and size of the order that will minimise the two costs are identified.

#### 3.5 INVENTORY MANAGEMENT UNDER UNCERTAINTY

- 3.5.1 The uncertainties associated with demand and lead time cause the logistics manager to concentrate on when to order rather than on the order quantity. The

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following two methods may be used for inventory control under conditions of uncertainty:

#### 3.5.1.1 *Fixed order point, fixed order quantity methods*

- With this method, an order is placed when the inventory on hand and on order reaches a predetermined minimum level required to satisfy demand during the order cycle. The economic order quantity will be ordered whenever demand drops the inventory level to the reorder point.

#### 3.5.1.2 *Fixed order interval method*

- This method compares current inventory with forecast demand, and places an order for the necessary quantity at a regular, specified time.

### 3.6 SETTING OF INVENTORY LEVELS

#### 3.6.1 **Inventory levels**

3.6.1.1 The cost of carrying inventory is very high. In instances where stock is to be held in store, the inventory levels should be determined with care.

3.6.1.2 In setting inventory levels the following have to be determined:

- Maximum levels.
- Minimum levels.
- Reorder point.
- Safety stock.

3.6.1.3 When to order is solved by determining the reorder point or minimum level. The reorder point is the minimum amount needed for demand during replenishment time (lead time).

3.6.1.4 The re-order point would be the daily demand times the replenishment time.

3.6.1.5 There are other factors that could have an effect on lead or replenishment time, for example:

- Transit times.
- If an item has to be produced or manufactured when ordered.
- Goods being damaged or lost in transit.

3.6.1.6 To provide for these factors it is necessary to have safety stock. It is however important not to keep too much safety stock on hand because it results in excess inventory cost.

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3.6.1.7 The difference between the maximum level and the reorder point is equal to the economic order quantity. The reorder point equals the minimum level plus the safety stock.

#### 3.6.2 Calculating safety stock

3.6.2.1 In calculating safety stock levels it is necessary to consider the joint impact of demand and replenishment cycle variability.

#### 3.6.3 Calculating fill rates

3.6.3.1 The fill rate represents the percentage of units demanded that are on hand to fill end-users' needs.

### 3.7 MANAGING INVENTORY CARRYING COSTS

3.7.1 The municipality should determine its own logistics costs and strive to minimise the total of these costs, given its customer service objectives.

3.7.2 Inventory carrying costs should include only those costs that vary with the quantity of inventory and that can be categorised into the following groups:

3.7.2.1 Capital costs.

3.7.2.2 Inventory service costs.

3.7.2.3 Storage space costs.

3.7.2.4 Inventory risk costs.

3.7.3 The following two (2) methods of accounting for inventory may be used to ensure effective shelf life management:

3.7.3.1 First-in, first out (FIFO)

- Stock acquired earliest is assumed to be used first, leaving stock acquired more recently in inventory.

3.7.3.2 Last-in, first out (LIFO)

- The most recently acquired stock is issued first, leaving items acquired in the earliest time period in inventory.

### 3.8 FORECASTING

3.8.1 Forecasts drive logistics information system planning and coordination. A forecast is a projection or prediction of the volume or number of units that will likely be demanded.

3.8.2 Accurate forecasts allow the logistics manager to smooth resource demands and to minimise expensive spikes in both capacity and inventory.

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3.8.3 Forecasting increases logistics effectiveness by enabling exchange and coordination of information rather than inventory.

3.8.4 In order to achieve supply chain integration, it is obvious that a common forecast should drive all activities.

#### 3.9.1 ABC-ANALYSIS

3.9.1 The ABC-analysis is a method for deciding which items should be considered for centralised warehousing.

3.9.2 The ABC-analysis may be used as a tool for control. The objective is to identify the items that contribute the most to overall use and value, the A-items.

3.9.3 For A-items, a daily or continuous review of inventory status might be appropriate. B-items should be reviewed weekly, while C-items should receive the least attention. The “dead” items should be eliminated from the inventory.

## 4 TRANSIT

### 4.1 ROLE OF TRANSIT

4.1.1 Transit is the function of the receipt/issue, initiation of accounting and distribution of all goods received into or issued from the municipality. The receipt of services cannot be managed by Transit. Service managers (such as security) will be responsible to carry out inspections and verify documentation for correctness. They will be responsible to submit the relevant receipt documentation to Transit for the construction of receipt vouchers and the submission of source documents for payment and accounting purposes.

4.1.2 Transit must be an independent section, performing specific functions on behalf of the municipality where use is made of formal stores. It would consist of a designated area where goods will be stored whilst in the process of completion of receipt/issue documentation for goods destined for or leaving the municipality.

4.1.3 It could also be an office for the performance of the functions in cases where stores are not utilised.

### 4.2 TRANSIT FUNCTIONS

4.2.1 The functions for transit will be as follows:

4.2.1.1 The receipt and management of contracts.

4.2.1.2 Reporting of all discrepancies in terms of late delivery, incorrect quantities and quality.

4.2.1.3 The recording and maintenance of expected delivery dates in a diary as specified in contracts.



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- 4.2.1.4 Initial receipt and inspection of goods in terms of quantities.
- 4.2.1.5 Inspection of goods in terms of contract specifications (use must also be made of specialists in the event of specialised items such as computers, vehicles or equipment).
- 4.2.1.6 Management of loss control processes in the event of damaged goods or short receipt. This must include claims against suppliers or carriers.
- 4.2.1.7 Submission of payment documentation.
- 4.2.1.8 Maintenance of accounting documentation (receipt and issue vouchers) and registers as prescribed.
- 4.2.1.9 Safekeeping of goods whilst in transit.
- 4.2.1.10 Proper packing and preservation.
- 4.2.1.11 Internal and external distribution of goods.
- 4.2.1.12 Control over stores moving equipment such as forklifts and vehicles.

### 4.3 GENERAL REQUIREMENTS

#### 4.3.1 Quality control

- 4.3.1.1 The policy on quality control measures must be implemented for all processes and procedures by regular inspections and updating of instruction.

#### 4.3.2 Loss control

- 4.3.2.1 Support must be given to the loss control officer (LCO) as appointed by the head of the department. The reporting procedures, reports and procedures prescribed by the LCO must be strictly adhered to.

#### 4.3.3 Vendor management

- 4.3.3.1 The management of vendors for goods and services for general use will be the responsibility of the transit section. The management for specialised goods and services such as IT or security will be the responsibility of the designated commodity/service manager.

#### 4.3.4 Documentation

- 4.3.4.1 The documentation pertaining to transit must be managed in accordance with the National Archives Act, 1996.

#### 4.3.5 Division of activities

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4.3.5.1 In order to achieve and maintain efficient control, the activities of transit must be separated from other activities such as acquisition and store functions.

#### 4.3.6 Information

4.3.6.1 The flow of information with regard to transit must be formalised by the maintenance of appropriate registers and files.

#### 4.3.7 Delegation

4.3.7.1 The roles, functions, responsibilities and accountability for the management or execution of transit functions must be formally delegated as prescribed in the delegation policy.

#### 4.3.7 Handing and taking over

4.3.8.1 The roles, functions, responsibilities and accountability for the management or execution of transit functions must be formally handed and taken over by officials relinquishing or taking over any of these functions as prescribed in the delegation policy.

#### 4.3.8 Competency of officials

4.3.9.1 Responsibilities and accountability cannot be delegated or handed over without the officials being competent to perform such functions. Proper training and regular audits and inspections of their capabilities must be prescribed to ensure the competency of officials.

#### 4.3.9 Security

4.3.10.1 The procedures to be promulgated must address at least the following aspects:

- General physical security.
- Control over the removal of resources.
- Protection of information and confidentiality.
- Protection against unauthorised access.
- Maintenance and protection of record integrity against alternation or delegation.
- Damage prevention such as fire appliances, pest control and emergency plans must be maintained.

## 5 STORE MANAGEMENT

### 5.1 GENERAL MANAGEMENT OF A STORE

5.1.1 The role of a store in the logistics system is as follows:

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#### 5.1.1.1 Consolidation of transportation

- The store can fulfil a major role in the consolidation of smaller shipments into one large shipment, resulting in significant savings on cost of transport.

#### 5.1.1.2 Mixing

- Stores can perform product mixing for different chief users.

#### 5.1.1.3 Service

- The availability of goods in a store when receiving orders will invariably result in chief user satisfaction.

#### 5.1.1.4 Contingencies

- Another role performed by stores is to guard against contingencies of various natures e.g. delays in transport, stock outs, strikes, etc.

### 5.1.2 Stores layout and design

#### 5.1.2.1 Space

- The first step in determining storing space requirements is to forecast the demand for products. The next step is to convert the units into cubic meter requirements. Additional space will be needed for the following:
  - Space required for the receiving and shipping of goods.
  - Area to be used for the selection of goods for an order and the assembling thereof.
  - Area in which to salvage undamaged parts of damaged cartons.
  - Office space required for administrative and clerical staff.
  - Miscellaneous space requirements for rest rooms, utilities and locker rooms.
  - Space needed for aisles.

#### 5.1.2.2 Layout principles

- Uses of one story facilities are recommended if possible.
- A straight line movement plan or direct flow of goods into and out of the store is recommended.
- The use of efficient materials handling equipment is essential.

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- Make use of an effective storage plan.
- Keep aisle space to a minimum.
- Make maximum use of the height of the building.

#### 5.1.2.3 *General guidelines on the protection aspects of goods*

- Hazardous material such as explosives, flammable items and oxidising items should be separated from other items to eliminate the possibility of damage.
- Products requiring special security precautions should be properly safeguarded against pilferage.
- Items requiring physical supervision such as refrigeration, heat, etc. should be properly accommodated according to their specific requirements.
- Lightweight or fragile items should be treated with all necessary precaution especially when stored or stocked near other items that could cause them damage.

#### 5.1.2.4 *Efficiency*

- Items with a fast turnover should be stored in the most accessible areas.
- Large and bulky items which are difficult to handle may be stored near the shipping area to minimise handling time.
- If the load size is large compared to order size the commodity should be stored close to the shipping area to minimise handling.
- Specified floor loads should not be exceeded.
- Employ well trained personnel.
- Sufficient ventilation and lighting are essential.

## 5.2 OPERATIONAL ASPECTS IN A STORE

5.2.1 The basic store operations consist of movement and storage.

5.2.1.1 Movement can be divided into four (4) distinct operations:

- To take delivery of goods from transit.
- Transfer of goods to a specific location.
- Combination of specific goods on order.
- Shipment of goods to chief user.

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5.2.1.2 The period of time of storage depends on the demands of the chief user.

#### 5.2.2 Receiving stores

5.2.2.1 Receive stores with receipt voucher from transit.

5.2.2.2 Mark item with municipal ownership mark and place in bin or bin area.

5.2.2.3 The bin maintenance should be done and the ledgers updated accordingly.

#### 5.2.2.4 Issuing of stores

5.2.3.1 The effective issuing of stores can only take place if a properly completed and approved requisition is submitted.

5.2.3.2 An issue voucher is printed at the store.

#### 5.2.4 Marking of municipality property

5.2.4.1 All A-class accountable stores and equipment must be marked with the municipal property mark before they are issued and leave the store.

5.2.4.2 Upon disposal the municipal ownership mark must be cancelled.

5.2.4.3 Stock that may be damaged by the marking process should not be marked and the case should be referred to the supply chain manager for a decision. Items that can be marked should not be marked in such a way as to shorten its durability or to render it unsightly.

5.2.4.4 The municipal ownership mark must be applied in such a way as to make the erasure thereof difficult.

#### 5.2.5 Stacking

5.2.5.1 A suitably qualified person should supervise all stacking.

#### 5.2.6 Fire fighting

5.2.6.1 Fire safety precautions include all precautionary measures taken in order to protect lives, preserve property and to prevent, locate and extinguish fires.

#### 5.2.7 Control of store keys

5.2.7.1 Duplicate keys should be readily available.

5.2.7.2 Duties and responsibilities must be delegated in writing.

#### 5.2.8 Store types

5.2.8.1 Inflammable stores are to be stored so as not to endanger life and/or property.

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5.2.8.2 Stores of a dangerous nature are to be stored apart from other stores and separately and out of the reach of unauthorised persons.

#### 5.2.9 Containers

5.2.9.1 All containers (holders) in respect of which a refundable deposit has been paid are to be accounted for.

5.2.9.2 The Accounting Officer may authorise that any type of container or bag (plastic bags excluded) may be taken on charge, provided that it can be refunded or that it has a resale value.

5.2.9.3 All poison containers, full, partially full or empty are to be clearly labelled. Empty poison containers are to be destroyed unless required for further issues of a similar type of poison.

## 6 TRANSPORT MANAGEMENT

### 6.1 ROLE OF TRANSPORT MANAGEMENT

6.1.1 Personnel and goods must be transported between various destinations to be able to execute their responsibilities. There are various options available to ensure the availability of transport.

#### 6.1.1.1 Domestic transport

- Departments can budget for and acquire their own transport.

#### 6.1.1.2 Subsidised transport

- Subsidised transport can be provided in cases where it is found that it would be the most cost-effective option.

### 6.2 FUNCTIONS OF TRANSPORT MANAGEMENT

6.2.1 The functions of transport management remain the same, irrespective of the above options. The following functions must be allocated to the transport office:

6.2.1.1 Optimisation of transport utilisation and allocation.

6.2.1.2 Maintain records of the utilisation of vehicles.

6.2.1.3 Maintain an authorisation procedure.

6.2.1.4 Management of service provider contracts.

6.2.1.5 Management of service provider payments.

6.2.1.6 Management of accounting for vehicles.

6.2.1.7 Prevent misuse of vehicles.

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- 6.2.1.8 Management of punitive measures.
- 6.2.1.9 Management of the registration of vehicles.
- 6.2.1.10 Manage the maintenance and servicing of vehicles.
- 6.2.1.11 Management of the disposal of vehicles.
- 6.2.1.12 Management of the allocation of subsidised motor transport (SMT).
- 6.2.1.13 Administration of SMT.
- 6.2.1.14 Maintain general transport statistics.
- 6.2.1.15 Disposal of transport.

### **6.3 THE REQUISITIONING, USE AND RETURN OF TRANSPORT**

#### **6.3.1 Booking of vehicles**

- 6.3.1.1 Officials should book vehicles at least two days in advance by submitting a transport request form.
- 6.3.1.2 All vehicles should be issued on the day of travel unless advance authority to park the vehicle at home has been obtained.

#### **6.3.2 Trip authority register**

- 6.3.2.1 The register is completed from the details on the transport request form.

#### **6.3.3 Trip authorisation**

- 6.3.3.1 A trip authorisation is filled in by the transport section.

#### **6.3.4 Licence**

- 6.3.4.1 The driver must be in possession of a valid drivers licence.

#### **6.3.5 Vehicle issue inspection**

- 6.3.5.1 The driver must inspect the vehicle to ensure that all equipment is there and in working condition. The equipment will remain the responsibility of the driver until such time as the vehicle is returned to the transport office. The physical condition of the vehicle/car will also be inspected for roadworthiness or damages.

#### **6.3.6 Use of vehicle**

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6.3.6.1 The driver will use the vehicle to perform his/her duties and within the limitations of the trip authority. All fuel receipts must be kept in safe custody during use of the vehicle.

#### **6.3.7 Return of vehicle**

6.3.7.1 It is the responsibility of the driver to fill in the vehicle logbook legibly and accurately. The kilometres travelled must also be clearly indicated.

#### **6.3.8 Vehicle return inspection**

6.3.8.1 The transport officer must inspect the vehicle for damages/deficiencies other than recorded before departure.

#### **6.3.9 After hours use of vehicles**

6.3.9.1 When there is a requirement for early/late trips, an after hours use request form must be submitted to the head of the department for approval. It must be ensured that safe parking will be available.

### **6.4 TYRES**

6.4.1 Vehicle tyres must be checked regularly for serviceability.

### **6.5 MISUSE OF TRANSPORT**

6.5.1 The traffic department may impound vehicles if misuse is suspected.

### **6.6 IRREGULAR, IMPROPER AND UNAUTHORISED USE**

#### **6.6.1 Action to be taken**

6.6.1.1 If municipal vehicles are used irregularly, driven recklessly, neglected or misused, the matter must be viewed in a serious light and disciplinary action against the offending official should be considered, apart from any proceedings that may be instituted in terms of the Road Traffic Act.

### **6.7 SUSPENSION OF OFFICIALS FROM DRIVING MUNICIPAL VEHICLES**

#### **6.7.1 Causes for suspension**

6.7.1.1 When an official is suspected or proved guilty of irregular, improper or unauthorised use of municipal transport, he/she must immediately be suspended from driving a municipal vehicle. The suspension must remain in force until such time as the head of the relevant department has decided, in consultation with the Accounting Officer to permit him to resume driving municipal vehicles. The transport section must be notified of all suspensions and lifting of suspensions to prevent the suspended driver from obtaining a pool vehicle.

### **6.8 GENERAL GUIDE FOR THE USE OF MUNICIPAL TRANSPORT**



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#### 6.8.1 Official purposes

6.8.1.1 Municipal vehicle fleets are provided strictly for official services and are not to be used for private or other purposes without the necessary authority.

#### 6.8.2 Official social functions

6.8.2.1 An official having to attend a social function in an official capacity may use a municipal vehicle for conveyance. His/her spouse and/or, if necessary, other members of his/her household, may also be conveyed.

#### 6.8.3 Official passengers

6.8.3.1 Passengers carried by a municipal vehicle must be authorised to travel in the vehicle. Family members can only be conveyed in a municipal vehicle if the line manager signing the trip authority has approved a prior application. Family members travel at their own risk and the municipality accepts no responsibility for them.

#### 6.8.4 Unofficial passengers

6.8.4.1 No unofficial passengers may be conveyed in the municipal vehicles without written authority having been obtained from the head of the department concerned. Unofficial passengers include all persons whose conveyance in vehicles is not necessary for the execution of official duties. The picking up of casual passengers is not allowed under any circumstances. The driver of the vehicle will be held responsible for ensuring that unauthorised passengers are not conveyed.

#### 6.8.5 Conveyance of luggage

6.8.5.1 Official drivers and passengers may convey in municipal vehicles such personal luggage as required by them on the particular journey. Losses of or damage to such luggage must be dealt with as claims against the municipality.

#### 6.8.5 Prohibition on private use

6.8.6.1 The use of municipal vehicles for purposes such as proceeding home for meals, making social calls, taking relatives for outings and making detours for private purposes is not permissible and a violation of the code of conduct. The AO expects every official or employee entrusted with the duty of operating or controlling municipal vehicles to ensure that such vehicles are neither used irregularly nor misused in any way.

#### 6.8.7 Inspection

6.8.7.1 All municipal vehicles are subject to inspection by duly authorised officials to ensure that the municipality maintains their transport in a proper state of repair and efficiency and that the required instructions are complied with.

#### 6.9 GENERAL GUIDE FOR THE DRIVING OF MUNICIPAL VEHICLES

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#### 6.9.1 Authority and licence

- 6.9.1.1 No official or employee may drive a municipal vehicle unless he/she has been authorised to do so by an official of his/her department. The authorising official must have the necessary power to exercise such authority. The driver must be capable and properly licensed in terms of Regulation 239 of the Road Traffic Act (RTA)(Act No 29 of 1989), to drive the particular class of vehicle in which the vehicle under his/her control falls. Special attention is drawn to the fact that for certain types of vehicles a professional drivers permit must be obtained.

#### 6.9.2 Physical disabilities

- 6.9.2.1 Special attention is drawn to the provision of the RTA with regards to the duties of a driver in connection with the reporting of physical disabilities from which he/she may suffer or which he/she has sustained or developed after issue of a driver's licence. Cases where it is deemed necessary to modify the standard driving controls of a vehicle before a special driver's licence could be issued, must first be referred to the head of department for consideration in terms of Section 19 of the provisions of the RTA (Act No 29 of 1989).

#### 6.10 VEHICLE LOADS

##### 6.10.1 Maximum load

- 6.10.1.1 The load of any municipal vehicle must not exceed the maximum recommended by the manufacturer of the vehicle.

##### 6.10.2 Safeguarding of load

- 6.10.2.1 If a load is transported on or in a vehicle care should be taken that it will be properly safeguarded at all times in order to prevent any potential damage or loss.

#### 6.11 ROADWORTHINESS OF VEHICLES

##### 6.11.1 Vehicle condition

- 6.11.1.1 The driver of a municipal vehicle must at all times ensure that the vehicle is in a roadworthy condition, with special emphasis in this regard on the steering, the brakes, the lights, the wheel nuts, the condition of the tyres and safety belts. In this regard certain types of vehicles such as trucks must be tested regularly for a certificate of fitness to be issued.

#### 7 DISPOSAL PROCEDURE

- 7.1 As soon as it has been established that stores/equipment/livestock are unserviceable, obsolete and/or redundant, and that they should be disposed of the following procedures are applicable:

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- 7.1.1 All unserviceable, obsolete and redundant stores/equipment are reported to the supply chain manager by means of a service letter. The letter must contain the following information:
- 7.1.1.1 A full description of the item.
  - 7.1.1.2 The quantity/volume/mass of the items.
  - 7.1.1.3 The condition of the items.
  - 7.1.1.4 A motivation as to why the items are regarded as unserviceable, obsolete or redundant.
- 7.1.2 At the receipt of such a service letter, the Supply Chain Manager or delegate must inspect the items, to determine their condition.
- 7.1.3 It is the responsibility of the Supply Chain Manager to determine the various options of disposal available in respect of each of the items, and to decide whether the items need to be distributed or repaired before the disposal process takes effect. During this evaluation process the full financial implications of disposing the items are to be taken into consideration.
- 7.1.4 Once the decision is made to dispose of items the disposal process dictates different procedures for obsolete or redundant items and unserviceable items.

### 7.2 PROCEDURE IN RESPECT OF OBSOLETE AND REDUNDANT ITEMS

- 7.2.1 A schedule must be completed in respect of redundant and obsolete items which have been identified for possible distribution, also indicating clearly the condition of such items. Care must be taken to distinguish between new items, serviceable items and repairable items.
- 7.2.2 The Supply Chain Manager will use the information to initiate an internal circular indicating the items available for distribution as well as the condition of such items.
- 7.2.3 If anyone has a need for one of the indicated items, the item must be requested using the applicable procedure.
- 7.2.4 If there are still items available for distribution it can be advertised to other external institutions.
- 7.2.5 If there are still items available after a specified time, then it must be transferred from the schedule to a disposal certificate.

### 7.3 PROCEDURE IN RESPECT OF UNSERVICEABLE ITEMS

- 7.3.1 Unserviceable items can be divided in two categories, namely:
- 7.3.1.1 Unserviceable stores.

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7.3.1.2 Unserviceable equipment.

7.3.2 The unserviceable stores are to be transferred from the relevant accounting system to the disposal certificate.

7.3.3 All items identified for disposal should be transferred to a disposal store. Inventory controllers must ensure that the item that is to be disposed of is kept in its original form. Should an item not be in its original form an investigation into the possibility of malicious damage must be instituted. In such cases, the damage is handled as a loss and the items can, therefore not be disposed of. All the unserviceable equipment are to be transferred to the disposal certificate.

7.3.4 Separate disposal certificates should be completed for:

7.3.4.1 Obsolete/redundant/stores/equipment.

7.3.4.2 Unserviceable stores/equipment.

#### 7.4 COMPLETION OF A DISPOSAL CERTIFICATE

7.4.1 In completion of a disposal certificate, the following information is essential:

7.4.1.1 Name of the office.

7.4.1.2 File number.

7.4.1.3 Date on which the disposal was requested.

7.4.1.4 Description of the item.

7.4.1.5 The quantity.

7.4.1.6 Recommendation by the Disposal Committee.

7.4.1.7 If applicable, a destruction certificate must be signed by a specialist after the items have been destroyed.

7.4.1.8 To be signed by the Accounting Officer.

#### 7.5 CONVENING OF A DISPOSAL COMMITTEE

7.5.1 The Disposal Committee subsequently convenes on the date previously arranged by the chairperson of the Disposal Committee. Their task is to inspect all items that appear on the disposal certificate. After the inspection of the items the Committee must make recommendations, which will be indicated on the disposal certificate.

7.5.2 The possible recommendation options are not prescribed, but some of the most common recommendations are:

7.5.2.1 Donations

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Recommendations to donate must be thoroughly motivated and the following information must be addressed:

- A full description regarding the nature of the donation.
- The value or estimated value of the donation.
- The reason/motivation/purpose of the donation.
- The full name and address of the person/entity to who/which the donation is to be made.

#### 7.5.2.2 Sell by public auction

This method is particularly used when livestock are disposed of.

#### 7.5.2.3 Sell by public bidding

This method is used most frequently when items are to be sold to entities.

#### 7.5.2.4 Burn

This method is normally used if the items/livestock are dangerous to man and beast.

#### 7.5.2.5 Bury

These methods can only be safely used if items are of such a nature that they will not cause contamination in the future.

#### 7.5.2.6 Cannibalisation

Cannibalisation refers to the action where spare parts are taken from the disposed item in order to be used for repairs in a similar item. The intended "replacement spare parts" must be displayed with disposed item during the inspection phase. Such usable parts are taken on charge in accordance with the applicable procedures.

#### 7.5.2.7 Transfer to another institution

This can be done in terms of section 14 of the MFMA, at market related value or free of charge.

7.5.3 After all members of the Committee have signed and dated the disposal certificate, the chairperson submits the disposal certificate to the accounting officer. All relevant documentation must be attached to the disposal certificate.

### 7.6 DISPOSAL REGISTER

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7.6.1 All the steps in the disposal process must be recorded on the disposal register. This register is kept by the disposal manager. Such a register must address the following aspects:

7.6.1.1 Date on which disposal was requested.

7.6.1.2 Sequence serial number of convening.

7.6.1.3 Date of physical inspection by the Disposal Committee.

7.6.1.4 Date that the disposal certificate was submitted to the Accounting Officer.

7.6.1.5 The date on which confirmation was given by the Accounting Officer.

7.6.1.6 Actual date of physical disposal of item in terms of confirmation instructions received.

7.6.1.7 Date confirming that disposal instructions were adhered to.

#### 7.7 ACTION BY THE ACCOUNTING OFFICER

7.7.1 The Accounting Officer evaluates the recommendations in the disposal certificate. Should the Accounting Officer not concur with the recommendation, the disposal certificate is referred back to the chairperson of the Disposal Committee for reconsideration of the recommendations.

7.7.2 Should the recommendations of the Committee be concurred with, the Accounting Officer signs and dates the disposal certificate.

#### 7.8 ACTIONS TAKEN BY DISPOSAL COMMITTEE ON RECEIPT OF DISPOSAL CERTIFICATE

7.8.1 On receipt of the confirmed disposal certificate the chairperson signs and dates the disposal certificate. The recommendations can now be executed by the SCM officials.

#### 7.9 GENERAL

7.9.1 With regard to labour saving devices, computers, and machinery, the following additional information is included as an annexure to the disposal certificate:

7.9.1.1 Description of the item.

7.9.1.2 Serial number.

7.9.1.3 Record number.

7.9.1.4 Registration number.

7.9.1.5 Odometer/hour meter reading.

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- 7.9.1.6 Estimated value.
- 7.9.1.7 Estimated repair cost.
- 7.9.1.8 Tentative selling price.
- 7.9.1.9 Serviceable/recoverable spares.
- 7.9.1.10 Where the equipment was used.
- 7.9.1.11 If the equipment is to be replaced, are sufficient funds available for a replacement?
- 7.9.1.12 Reasons for beyond economic repair (BER) classification.
- 7.9.1.13 Has a technical report been compiled?
- 7.9.1.14 Who compiled the technical report?

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