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## CAPRICORN DISTRICT MUNICIPALITY

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### SUPPLY CHAIN MANAGEMENT POLICY

Policy Number: S/P/1	Date of Approval: 10 December 2010
Date of Effect: 10 December 2010	Date of review: Annually

Notwithstanding the review date as shown, this policy shall remain effective until approved otherwise by Council and may be reviewed on an earlier date as deemed necessary.

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

## DEFINITIONS

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

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

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

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

“**Closing time**” - means the day and time as specified in the bid documents for the purpose of receipts by Capricorn District Municipality.

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

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

“**Bid Committees**” – refers to the Specification Committee, Evaluation Committee and Adjudication Committee. The Adjudication Committee is responsible for adjudicating the award of bids on the basis of the recommendation or recommendations as submitted by the Evaluation Committee.

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

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

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

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

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

**“council”** means the Municipal Council of Capricorn District Municipality, its legal successor in title and its delegates;

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

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

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

closing date of the bid; as envisaged by the Supply Chain Management Policy Framework;

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

**“Adjudication points”**: means the points referred to in the Preferential Procurement Regulations, 2001 and the Preferential Procurement section of this policy also referred to as **“evaluation points”**.

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

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

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

(i) who, due to the apartheid policy that had been in place, had no franchise l

National elections prior to the introduction of the Constitution of the Republic of South Africa, 1993 or the Constitution of the Republic of South Africa, 1993; and/or

(ii) who is a female; and/or

(iii) who has a disability

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

(a) a member of –

(i) any municipal council;

(ii) any provincial legislature; or

(iii) the National Assembly or the National Council of Provinces;

(b) a member of the board of directors of any municipal entity;

(c) an official of any municipality or municipal entity;

- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

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

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

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

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

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

**“municipality”** means Capricorn District Municipality, and when referred to as-

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

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

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

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

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

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

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

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

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

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



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

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

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

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

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

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

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**NOTES:**

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



## CHAPTER 1

### 1. INTRODUCTION

#### 1.1 BACKGROUND

Capricorn District Municipality (CDM) as established in terms of the Local Government Municipal Structures' Act, 1998 (Act No.117. of 1998) consists of the following Local Municipalities:

- ~~Aganang Municipality~~
- Blouberg Municipality
- Lepelle-Nkumpi Municipality
- Molemole Municipality
- Polokwane Municipality

CDM recognises that in climate of rapid change and stringent fiscal objectives, it must manage the procurement function so as to

- remain focussed on its core functions and objectives
- adopt procurement practices that will improve risk management.

This Policy applies when CDM

- (a) procures goods or services;
- (b) disposes goods no longer needed;
- (c) selects service providers to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
- (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

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

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





- (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

## **1.2 REGULATORY FRAMEWORK/ENVIRONMENT**

This policy document takes a full cognisance of the legal framework within which local government procurement is required to take place.

### **1.2.1 CONSTITUTIONAL PROVISION**

This supply chain management policy complies with various provisions of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) which reads as follows:

#### **Sec 195(1)- The principles and values of Public Administration**

- (i) the promotion and maintenance of a high standard of professional ethics;
- (ii) the promotion of the economical, efficient and effective use of resources
- (iii) The fair, impartial, unbiased and equitable provision of service.
- (iv) Peoples need must be responded to
- (v) Public administration must be accountable

#### **Sec 217 - Procurement**

- (1) When an Organ of State in the national, provincial or local sphere of government, or any other institute 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.
- (2) Subsection (1) does not prevent the Organs of State or institutions referred to in that subsection from implementing a procurement policy providing for-
  - a) categories of preference in the allocation of contracts; andthe protection or advancement of persons, or categories of persons, unfair discrimination.



- b) The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- (3) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.

## 1.2.2 OTHER APPLICABLE LEGISLATIONS

**Section 83 of the Municipal Systems Act 2000 (Act No. 32 of 2000)** allows municipalities to provide municipal services themselves or by way of service delivery agreements. This Act stipulates requirements for service delivery agreements through selection and pre-qualification processes which-

- a) are competitive, fair, transparent, equitable and cost effective;
- b) allow all prospective service providers to have equal and simultaneous access to information relevant to the bidding process;
- c) minimise the possibility of fraud and corruption; and
- d) make the municipality accountable to communities, residents and role-players about process when selecting a service provider and the reason for any decision in this regard.

The “**Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)**” provides that a municipality may determine a preference for categories of service providers to advance the interest of persons disadvantaged by unfair discrimination, provided that this does not compromise the value for money requirement.

Effect was given to section 217(3) of the Constitution in the form of the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) (PPPFA). The PPPFA provides a framework within which procurement policies referred to in section 217 (3) must be implemented. The PPPFA requires organs of State to determine their preferential procurement policies

**CIVILIAN SECRETARIAT FOR POLICE**

The Secretary of Police is seeking to appoint suitable candidates to fill the following positions at a national level, based at Pretoria.

**CHIEF DIRECTOR: MONITORING AND EVALUATION**  
(Five-year contract)

Requirements: A three-year degree in Law, Social Sciences, Criminology or a related field. A good understanding of the South African Police Service (SAPS) and its role in the community. A very good understanding of monitoring and evaluation processes. A very good understanding of research methods and data analysis. A good understanding of the South African Police Service (SAPS) and its role in the community. A very good understanding of research methods and data analysis. A good understanding of the South African Police Service (SAPS) and its role in the community. A very good understanding of research methods and data analysis.

**DIRECTOR: RESEARCH AND STRATEGY**

Requirements: A three-year degree in Law, Social Sciences, Criminology or a related field. A good understanding of the South African Police Service (SAPS) and its role in the community. A very good understanding of research methods and data analysis. A good understanding of the South African Police Service (SAPS) and its role in the community. A very good understanding of research methods and data analysis.

**ASSISTANT DIRECTOR: RESEARCH**

Requirements: A three-year degree in Law, Social Sciences, Criminology or a related field. A good understanding of the South African Police Service (SAPS) and its role in the community. A very good understanding of research methods and data analysis. A good understanding of the South African Police Service (SAPS) and its role in the community. A very good understanding of research methods and data analysis.

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- b) The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- (3) National legislation must prescribe a framework within which the policy referred to in subsection (2) may be implemented.

**1.2.2 OTHER APPLICABLE LEGISLATIONS**

Section 83 of the Municipal Systems Act 2000 (Act No. 32 of 2000) allows municipalities to provide municipal services themselves or by way of service delivery agreements. The Act stipulates requirements for service delivery agreements through selection and procurement processes which-

- a) are competitive, fair, transparent, equitable and cost effective;
- b) allow all prospective service providers to have equal and simultaneous access to information relevant to the bidding process;
- c) minimise the possibility of fraud and corruption; and
- d) make the municipality accountable to communities, residents and role-players about process when selecting a service provider and the reason for any decision in this regard.

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Effect was given to Section 83 of the constitution in the form of the Preferential Procurement Policy Framework Act (Act No.5 of 2000) (PPPFA). The PPPFA provides a framework within which procurement policies referred to in Section 83 may be implemented. The PPPFA requires organs of State, to determine their preferential procurement policies

and implement it within a framework prescribed in the Act. The Framework provided by the Act requires that a preference point system must be followed viz:

- i. For contracts with a Rand value above a prescribed amount, a maximum of 10 points may be allocated for specific goals provided that the lowest acceptable tender scores 90 points for price.
- ii. For contracts with a Rand value equal to or below a prescribed amount, a maximum of 20 points may be allocated for specific goals provided that the lowest acceptable tender scores 80 points for price.
- iii. Any other acceptable tenders which are higher in price must score fewer points on a pro rata basis, calculated on their tender prices in relation to the lowest acceptable tender in accordance with a prescribed formula; and
- iv. The contract must be awarded to the tenderer who scores the highest points unless objective criteria in addition to that pertaining to specific goals justify the award to another tenderer.

The PPPFA identifies specific goal to include the following parameter:

- Contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability; and

The framework furthermore requires that:

- Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender;
- Any goals contemplated must be measurable, quantifiable and monitored for compliance.

No preference outside of the points system is permitted. This in practice means that tenderers who obtain the highest number of points can only have their tenders rejected on the following basis/conditions:

- Have insufficient capacity/capability to deliver; or
- Are under suspension from participating in public procurement for prior actions, e.g. withdrawing of a tender after the closing date for tenders, failing to provide sureties, failing to execute the contract when instructed to do so, performing unsatisfactorily, offering bribes, or acting improperly.



The **Municipal Finance Management Act, 2003 (Act No. 56 of 2003)** aims to modernise budget and financial management practices by putting in place a sound financial government framework clarifying roles of all role players in their engagement with Municipal Supply Chain Management. The MFMA should be read with the accompanying Regulations

The **Broad-based Black Economic Empowerment Act, 2003 (Act No.53 of 2003)** has identified economic empowerment as an integral part of South Africa's transformation process, encouraging the redistribution wealth and opportunities to historically disadvantaged communities and individuals, including blacks, women and people with disabilities.

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The BEE Commission has identified three categories of black empowerment, namely:

- Black Company - at least 50% owned and managed by Blacks
- Black Empowered Companies - 25,1% or more owned and managed by Blacks
- Black Influenced Companies equals 5% to 25% owned and managed by blacks

### **1.3 OBJECTIVES OF THE POLICY**

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

To give effect to the provisions of the Municipal Finance Management Act No. 56 of 2003, read with the Municipal Supply Chain Management Regulations as per Gazette No. 27636 dated 30 May 2005.

CDM intends to further use the supply chain management policy as a tool to achieve the following objectives

- (1) stimulate economic growth;
- (2) stimulate socio economic development;
- (3) enhance quality services;
- (4) empower local communities;

- (5) to ensure that value for money is achieved;
- (6) create opportunities for local SMME's;
- (7) eliminate and counter any form of corruption; and

## **1.4 CORE PRINCIPLES**

In order to achieve value for money, CDM will base procurement outcomes around core principles of government procurement. As a result CDM is committed to:

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

## **1.5 ROLES AND RESPONSIBILITIES**

### **1.5.1 ROLE OF COUNCIL**

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

### **1.5.2 ROLE OF THE ACCOUNTING OFFICER**

The Accounting Officer must

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

Each Manager shall be responsible for

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

### **1.5.4 ROLE OF THE CHIEF FINANCE OFFICER (CFO)**

correct time, at the right price and at the right location, and that the quality and quantity satisfy the needs of the municipality;

- (ii) The acquisition of goods and services;
  - (iii) The disposal and letting of municipal assets, including the disposal of goods and services no longer required;
  - (iv) Provide for an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, vendor performance, maintenance and contract administration;
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- (v) Provide an effective system of risk management for identification, consideration and avoidance of all potential risks;
  - (vi) Act as advisors and secretariat to the bid committee/s and attend to all administrative functions to the bid committee/s;
  - (vii) Perform all monitoring activities, inclusive of achievements in terms of preferential procurement.

## **1.6.2 Training of Supply Chain Management Officials**

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

## **CHAPTER 2**

### **2.1 DELEGATIONS**

- a) The delegation of powers framework (policy) as adopted by Council from time to time shall be applicable to all procurements.
- b) In cases wherein the Accounting Officer or the applicable approving authority decide to award a bid to a bidder other than the one recommended by the adjudication committee, then the approving authority must notify the relevant bodies in writing of the reasons for the deviations as prescribed by applicable legislation.



- a) Custodian of the SCM policy;
  - b) Conducts procurement audits of the entire supply chain management to identify successes and failures for incorporation into a "lesson learnt" database;
  - c) Overall management of the quotation and competitive bidding process from solicitation to processing of invoice payment;
  - d) Promotes corporate approach by encouraging standardization of items purchased within the Municipality to realize economies of scale;
  - e) Provides supplier interface on supplier information;
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- f) Ensures that the procurement and disposal process followed adheres to preference targets without compromising price, quality, service delivery and developmental objectives;
  - g) Ensures that all employees involved in the supply chain management process receive the necessary training to support implementation of the SCM policy;
  - h) Responsible for the verification of the application of service providers for possible inclusion in the database,
  - i) Submits monthly reports to the Finance Portfolio Committee regarding progress and any matters of importance relating to the SCM policy.

## **1.6 INSTITUTIONAL ARRANGEMENTS**

### **1.6.1 Supply Chain Management Unit**

- a) The municipality has established a supply chain management unit within finance department. The unit is under management and accountability of the Chief financial officer in terms of section 82 of the Act
- b) The SCM Unit must implement the municipality's supply chain management system and must at least perform the following function:
  - (i) Provision of demand management system in order to ensure that the resources required to support the strategic and operational commitments of the municipality are delivered at



- c) Supply chain management powers may not be delegated to a person who is not an official of the Municipality, or to a Committee that is not exclusively comprised of officials of the Municipality.
- d) Final awards in a competitive bidding process may only be made through the committee system for competitive bidding provided for in chapter 3.
- e) 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 Accounting Officer a written report containing particulars of each final award made by such official or committee during that month, including–
  - (i) the amount of the award;
  - (ii) the name of the person to whom the award was made; and
  - (iii) the reason why the award was made to that person.
- e) Subparagraph (e) of this policy does not apply to procurements out of petty cash.
- f) No supply chain management decision-making powers may be delegated to an advisor or consultant.

## **2.4 PREFERENCE POINT SYSTEM**

2.4.1 The Preferential Procurement Policy Act, 2000 (Act No. 5 of 2000) provides that an organ of state must determine its preferential procurement policy and implement it within the broader framework of the Act.

2.4.2 The Act states that the framework may include:

- a) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.
- b) Implementing the programme of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.



- c) Any specific goals for which points may be awarded shall be clearly specified in the tender document and must be measurable, quantifiable and monitored for compliance.
- d) CDM shall use the formula to calculate the points for price as prescribed by sections 3. (1) and 4. (1) of the Preferential Procurement Regulations,2001. Preference points to a maximum provided by the Regulations will be awarded to a bidder with specific goals as provided by paragraph 2.5 of this policy.
- e) It is a specific requirement that no form of "fronting" will be allowed, i.e. where non-HDI companies submit HDI names in order to fraudulently benefit from the preference system. Where there is evidence of fronting, such service providers shall be blacklisted and not be allowed to bid again.
- f) The HDI companies that are unable to comply with the tender requirements may form joint ventures with skilled companies so that skills could be transferred to the HDI.

## 2.5 CALCULATION OF PREFERENCE POINTS

### 2.5.1 Procurement of goods and services

- 1) CDM shall use the 80/20 preference point system in respect of bids/quotations above R10 000 up to R500 000 with a maximum of 20 points allocated for specific goals and the 90/10 system in respect of projects above R500 000 with a maximum of 10 points allocated for specific goals;

**Specific goals are as follows;**

#### **For 80/20 preference point system**

- a) Locality - Points will be awarded as follows:

(i) service provider residing within CDM area of jurisdiction =

2 points

(ii) service provider residing outside the jurisdiction of CDM



but within Limpopo_Province	= 1
<i>point</i>	
(iii) service provider residing within the local municipality where the project is implemented	= 1
<i>point</i>	
b) Equity ownership by HDI	= 6
<i>points</i>	
c) Equity ownership by Women	= 5
<i>points</i>	
d) Equity ownership by Youth	= 4 <i>points</i>
<hr/>	
e) Equity Ownership by the Disabled	= 2
<i>points</i>	
f) Bidding Price (PS)	= 80
<i>points</i>	

**The formula**

$$Ps = 80 \times \{1 - (Pt - Pmin) / Pmin\} + PDI/HDI + Women + Youth + disabled + Local$$

100% will be:  $Ps = 80 \times 1 + 6 + 5 + 4 + 2 + 3 = 100$

Where

- Ps = Points scored for bid under evaluation
- Pt = Rand value of bid under consideration
- Pmin = Rand value of lowest acceptable bid

The status of equity ownership, for the above, shall be calculated in terms of the following formula:

$$NEP = NOP \times EP$$

Where:

NEP = Points awarded for equity ownership

NOP = Maximum number of points awarded for equity ownership

EP = Percentage of equity ownership within the enterprise or business

**For 90/10 preference point system**

a) Locality- Points will be awarded as follows:

- (i) service provider residing within CDM area of jurisdiction  
= 1 points
- (ii) service provider residing outside the jurisdiction of CDM  
but within Limpopo\_Province =  
0.5 point
- (iii) service provider residing within the local municipality where the  
project is implemented =  
0.5 point
- b) Equity ownership by HDI = 3  
points

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- c) Equity Ownership by Women =  
2.5 points
- d) Equity ownership by Youth = 2 points
- e) Equity Ownership by the Disabled = 1  
point
- f) Bidding Price = 90  
points

**The formula**

$$P_s = \frac{90}{100} \times \left\{ 1 - \left( \frac{P_t - P_{min}}{P_{min}} \right) \right\} + HDI + Women + Youth + disabled + Local$$

100% will be:  $P_s = \frac{90}{100} \times 1 + 3 + 2.5 + 2 + 1 + 1.5 = 100$

Where

- $P_s$  = Points scored for bid under evaluation
- $P_t$  = Rand value of bid under consideration
- $P_{min}$  = Rand value of lowest acceptable bid

The status of equity ownership, for the above, shall be calculated in terms of the following formula:

$$NEP = NOP \times EP$$

Where:

- NEP = Points awarded for equity ownership
- NOP = Maximum number of points awarded for equity ownership
- EP = Percentage of equity ownership within the enterprise or business

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

- a) Locality- points will be awarded as follows:
- i. Service provider residing within CDM area of jurisdiction = 1 point
  - ii. Service provider residing outside the CDM jurisdiction
    - But within Limpopo province = 0.5 points
  - iii. Service provider residing within the local municipality where the project is implemented = 0.5 points
  - b) Equity ownership by HDI = 3 points
  - c) Equity ownership by = 2.5 points
  - d) Equity ownership by = 2 points
  - e) Equity ownership by = 1 point
- 
- f) Bidding price = 80 points
  - g) Functionality = 10 points

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

### 2.5.2 For the sale and letting of assets and services

For all bid and quotations with an estimated or averaged value between R10 000 (ten thousands rand) and R 500 000 (five hundred thousand rand) including VAT, preference points system of 80/20 shall apply and for all quotation and bids above R500 000 the 90/10 preference point system shall apply, for all technical projects above R 1 500 000.00 (Large A Category) the 80/10/10 preference points shall apply as follows:

#### The formula

Price scoring 80/20

$$P_s = 80 \times (1 + (P_t - P_h) / P_h)$$

#### Where:

$P_s$  = Points scored for price of the bid under consideration

$P_t$  = Rand value of bid under consideration

$P_h$  = Rand value of highest acceptable bid

Price scoring 90/10

$$P_s = 90 \times (1 + (P_t - P_h) / P_h)$$

**Where:**

$P_s$  = Points scored for price of the bid under consideration

$P_t$  = Rand value of bid under consideration

$P_h$  = Rand value of highest acceptable bid

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

$$NEP = NOP \times EP$$

Where:

NEP = Points awarded for equity ownership

~~NOP = Maximum number of points awarded for equity ownership~~

EP = Percentage of equity ownership within the enterprise or business

**The formula**

Price scoring 80/10/10

$$P_s = 80 \times (1 + (P_t - P_h) / P_h)$$

**Where:**

$P_s$  = Points scored for price of the bid under consideration

$P_t$  = Rand value of bid under consideration

$P_h$  = Rand value of highest acceptable bid

Price scoring 90/10

$$P_s = 80 \times (1 + (P_t - P_h) / P_h)$$

**NB. NGOs, CBOs, tertiary institutions, and state owned institutions do not qualify for preference points.**

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

- 1) The organization must be a non – profit organization or institution and registered as such in terms of the applicable legislation;
- 2) The organization must have a constitution, where applicable;
- 3) The organization must have audited financial statement, where applicable



## CHAPTER 3

### SUPPLY CHAIN MANAGEMENT SYSTEM

#### 3. Format of supply chain management system

This Policy provides for systems of –

- (i) Demand management;
- (ii) Acquisition management;
- (iii) Logistics management;
- (iv) Disposal management;
- (v) Risk management; and
- (vi) Performance management.

#### PART 1: DEMAND MANAGEMENT

##### 3.1 Demand management

###### System of demand management

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

3.1.1 Each Manager shall during the preparation of his/her departmental estimates for the budget year:-

- a) Determine which functions it must perform;
- b) Determine the goods and services it must provide in the performance of those functions;
- c) Determine the quantity and specifications for goods and services required;
- d) Embark on expenditure analysis of goods and services required;
- e) Embark on market/industry analysis;





f) Conduct a condition assessment of the assets managed by his directorate and determine its financial needs during the budget year for:

- (i) Maintaining existing assets;
- (ii) Repairing existing assets;
- (iii) Refurbishing or renovating existing assets;
- (iv) Replacing existing assets; and
- (v) Acquiring new assets.

3.1.2 The SCM Unit shall after consultation with Departmental Managers, compile a schedule of procurements for capital projects in respect of each financial year;

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3.1.3 During the consultations as per 3.1.2, all reasonable efforts shall be made to determine:

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

## **PART 2: ACQUISITION MANAGEMENT**

### **3.2 Acquisition management**

#### **System of acquisition management**

3.2.1 the accounting officer must implement the system of acquisition management set out in this Part in order to ensure –

- (a) that goods and services are procured by the municipality in accordance with authorised processes only;
- (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
- (c) that the threshold values for the different procurement processes are complied with;



- (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
- (e) that any Treasury guidelines on acquisition management are properly taken into account.

3.2.2 When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including-

- (a) the kind of goods or services; and
  - (b) the name of the supplier.
- 

### **3.2.3 Range of procurement processes**

- (1) Goods and services may only be procured by way of –
  - (a) Petty cash purchases, up to a maximum transaction value of R1000.00
  - (b) Written priced quotations for procurements of a transaction value over R 1000.00 up to R10 000 (VAT included);
  - (c) Formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
  - (d) That all requirements in excess of R30 000 ( Vat included) that are to be procured by means of formal written price quotation must be advertised for at least seven days on the local newspapers, website and official notice board of the municipality or municipal entity
  - (d) a competitive bidding process for–
    - (i) procurements above a transaction value of R200 000 (VAT included); and
    - (ii) the procurement of long term contracts.
- (2) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods

or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

- (3) The Accounting Officer, may lower, but not increase, the different threshold values specified above, or direct that:
- a) Written quotations be obtained for any specific procurement of a transaction value lower than R1000.00
  - b) Formal written quotations be obtained for a specific procurement of a transaction value lower than R10 000;
  - c) A competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- 

(4) The Accounting Officer may dispense with the prescribed processes and authorise the acquisition of any goods or services through any convenient process:

- a) In the event of an emergency;
- b) If the required goods or service are available from a single provider only;
- c) In any exceptional case where it is impractical to follow the prescribed procedure.

(5) The Manager seeking the approval of the Accounting Officer in terms of paragraph

3.2.3(4) shall submit a written report detailing the reasons why he/she should authorise a departure from the prescribed procedure.

(6) The Accounting Officer shall record his/her decision with regard to an application in

terms of paragraph 3.2.3(5) in writing and shall, if he/she grants the application, stipulate the alternative procurement process to be followed.

(7) The decision of the Accounting Officer in terms of paragraph 3.2.3(6) shall be final.



### **3.2.4 General preconditions for consideration of written quotations or bids**

- (1) A formal written quotation or bid may not be considered unless the provider who submitted the quotation or bid –
  - (a) has furnished that provider's –
    - (i) full name;
    - (ii) identification number or company or other registration number;
    - (iii) VAT registration number, where applicable;

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  - (b) It is a specific requisite that the provider must submit a valid original Tax Clearance Certificate issued by the SA Revenue Services as part of the quotation.
  - (c) It is a further requirement that companies / entities competing for bids in the CDM must be in good standing with CDM council or any other municipality council with regard to levy and (or) rates and taxes
  - (d) has declared–
    - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
    - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
    - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months; and
    - (iv) that the service provider is in good standing with CDM and any other Municipality with regard to rates and taxes.
  - (e) No bid document will be considered without a valid Joint Venture Agreement attached to the document at the date of opening where applicable.

### 3.2.5 Database of accredited prospective providers

- (1) The accounting officer must –
  - (a) keep a list of accredited prospective providers of goods and services that incorporates emerging SMME's, emphasis being on the HDI that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
  - (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite ~~prospective providers of goods or services to apply for~~ evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers, and disallow the  
listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector;
  - (d) the list must be updated at least quarterly to include any additional prospective  
service provider and any new commodities or type of service;
  - (e) the list must be compiled per commodity and per type of service.

#### 3.2.5.1 Procedure for establishing and maintaining the database

- (1) The Accounting Officer shall through newspapers commonly circulating in the Municipality, on the website of the Municipality and any other approved manner invite prospective service providers of goods or services to apply for evaluation and listing as accredited prospective service providers.
- (2) The Accounting Officer shall make appropriate arrangements to ensure as far as possible that:
  - a) The database is updated at least quarterly;
  - b) Applications for registration can be submitted electronically.



### **3.2.5.2 Evaluation of applications**

- 1) The Accounting Officer shall, after consultation with the Managers of other Departments:
  - a) Evaluate an applicant's capacity and ability to supply goods and services and to complete work, in order to ensure that all contracts or orders awarded are within the capabilities of the enterprise; and
  - b) Evaluate the amount of assistance that may be required by each applicant.

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- 2) Evaluation criteria shall be based on the following:
  - a) Experience and expertise;
  - b) Contracts awarded as a main contractor or a sub contractor;
  - c) Contracts completed on time and within budget;
  - d) Value of contracts completed in the past year;
  - e) Value of and duration of current contracts;
  - f) Qualifications of owner(s), directors, members, trustees and staff;
- 3) The Accounting Officer shall as soon as possible after closing date and time of invitation in terms of paragraph 3.2.5.1(1) evaluate and assess all applications submitted.
- 4) As soon as the evaluation process is completed, the names of the prospective service providers who are considered to be suitable for the specific purpose to undertake a contract, shall be included in the appropriate list within the database.
- 5) The service provider shall after inclusion in the database be supplied with a reference number.
- 6) The list shall be compiled per type of service and must be circulated to all departments with operating guidelines.

### **3.2.6 Petty cash purchases**

The Accounting Officer must stipulate the conditions for the procurement of goods and services by means of petty cash purchases, which must include



- (a) authorising procurement of goods to a maximum of R 1 000.00 may be made by means of petty cash purchases;
- (b) the maximum number of petty cash purchases or the maximum amounts per month for each manager shall be R3 000;
- (c) Excluding any types of expenditure from petty cash purchases, where this is considered necessary; and

### **3.2.7 Quotations**

#### **3.2.7.1 Written quotations**

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

#### **3.2.7.2 Formal written price quotations**

- 1) The conditions for the procurement of goods or services above R10 000, are as follows:
  - a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality.
  - b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 3.2.5.2(2) of this Policy;



- c) when using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
  - d) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Accounting Officer or an official designated by the chief financial officer,
  - e) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must be advertised for *at least seven days* on the website and an official notice board of the municipality;
  - f) ~~quotations received must be evaluated on a comparative basis taking~~ into account unconditional discounts;
  - g) quotations must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest acceptable price and must be subjected to the 80/20 preference point system;
  - h) acceptable offers, which are subject to the preference points system (PPFA and associated regulations), must be awarded to the bidder who scored the highest points;
  - i) the Accounting Officer must record the names of the potential providers and their written quotations.
  - j) The SCM unit must take reasonable steps to ensure that the procurement of goods and services through written quotations is not abused;
  - k) The SCM unit must on a monthly basis report to the Accounting Officer of all written quotations accepted by an official in terms of the sub-delegation.
  - l) Where quotations have been invited via the notice boards and website of the Municipality, no additional quotations need to be obtained should the number of responses be less than three.
- (2) A designated official referred to in subparagraph (d) must within the prescribed period report to the Accounting Officer on any approvals given during that period by that official in terms of that subparagraph.



### 3.2.8 Competitive bids

- (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 3.2.3(4) of this Policy.
  - (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
- 

#### 3.2.8.1 Process for competitive bidding

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

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

#### (1) Bid documentation for competitive bids

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

- a) take into account –

- (i) the general conditions of contract and any special conditions of contract, if specified;
    - (ii) any Treasury guidelines on bid documentation;
  - b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
  - c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
  - d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish—
- 

- (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements —
    - (aa) for the past three years; or
    - (bb) since their establishment if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
  - (iv) a statement indicating whether any portion of the goods or services are
    - expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.



**(2) Invitation for competitive bids**

- a) Bids shall be invited publicly by means of advertising in a newspaper/s commonly circulating within the district, the website and or any other appropriate ways; The intention is to ensure that communities who may not be in a position to access the general press are also reached.
- b) A fully explanatory site inspection may be conducted before the close of tenders to ensure that the bidders understand the scope of the project and that they can comply with the conditions and requirements
- c) Non-attendance of *compulsory* site inspection or briefing meetings shall invalidate the bid. This condition shall be indicated in the bid invitation.
- d) The closing date for the submission of bids shall at least be 21 calendar days from the date of advertisement;
- e) Provided that the foregoing provisions shall not apply where the accounting officer, after considering a report of the relevant Manager, is of the opinion that the proposed contract is an urgent case or a special case of necessity for which tenders need not be invited or where the proposed contract is for the sale or purchase of goods, that such goods should be bought or sold by public auction. Specialised or sensitive areas shall be subjected to the closed bidding process.
- f) The bid invitation must clearly indicate that it is Municipality's prerogative not to award the tender or any part thereof to the lowest or any bidder.
- g) Bid results and awards must be made available to bidders when requested. This process, which will ensure transparency, will also enable bidders to evaluate their performance and competitiveness for future tenders.



**(3) Issuing and submission of bid documents**

- a) Bid documents shall be collected from *locations* as specified in the bid invitation upon payment of the following non – refundable bid deposit as prescribed by Council, where applicable;
  - b) The SCM unit shall record details of all prospective bidders, who have been issued with bid documents.
  - c) Completed bid documents shall be deposited in a bid deposit box, which is at specified locations on or before the stipulated closing date and time.
- 
- d) The period for which the bids are to remain valid shall be indicated in the bid document and is calculated from the closing date until the end of the final day of the period.
  - e) The period of validity may be extended by mutual consent in writing between the Municipality and the bidders, provided that the original validity period has not expired, and that all bidders shall have an opportunity to extend such period.

**(4) Amendment Of Bid Documents**

- a) In an event of the need to amend, the conditions of the project conditions of the project after the closing date for submission of project documents but before the acceptance of a project documents or proposals, new bids shall/will be called for.
- b) Should exceptional circumstances, which necessitate the altering of project conditions in the interest of Council after the proposal has been accepted, the Council shall make the best arrangement for such alteration with the contractor concerned. Council may also alter the conditions of the project after a proposal has been accepted where there is no prejudice to other entities that tendered.

**(5) Closing of Bids**

- a) Bids shall close on the date and time stipulated in the bid invitation.

- b) The bid closing date may be extended if circumstances justify this action. The closing date may only be extended if there is sufficient time to publish a prescribed amending.

#### **(6) Late Bids**

- a) Bids are late if received after the closing date and the time.
  - b) A late bid shall not be admitted for consideration and where feasible shall be returned unopened to the bidder
- 

#### **(7) Opening Of Tenders**

- a) Immediately after the closing time, the assigned Officials will be responsible for the process of receiving and recording the bids.
- b) As soon as the bids have been opened:
  - (i) The person opening the bids shall in each case read out the name of the bidder and the bidding price;
  - (ii) The bid document shall be stamped with the official stamp of the Municipality and endorsed with the signatures of the person opening it and of the person in whose presence it was opened;
  - (iii) The name of the bidder and the bidding price shall be recorded in a register kept for that purpose; and
  - (iv) The person who opened the bids shall forthwith place initials against the total amount mentioned in the bid documents.
- c) After the Officials of the SCM unit have completed the bid opening record in respect of all bids received, the bids may be handed over to the appointed or delegated agency or department. Such agency or manager user department shall in writing acknowledge receipt thereof.
- d) Supply Chain Management Unit remains the custodian of the Bid Documents during the supply chain management process.



### 3.2.8.2 Invalid and Non – responsive bids

#### 1) Invalid Bids

- a) Bids shall be considered invalid and shall be endorsed as such by the responsible official who opened the bid in the following instances:
- (i) Where the bid is not submitted on the official bid form;
  - (ii) Where the bid is completed in non-erasable ink;
  - (iii) Where the bid form has not been signed;
  - (iv) Where the bid form is signed, but the name of the bidder is not stated or is indecipherable.
- b) When bids are declared invalid at the opening, the bid of such bids shall not be read out; however, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

#### 2) Non – responsive bids

##### a) **Non – responsive tenders**

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

##### b) **Non – responsible tenders**

These refer to tenders with a price that are very high or very low and is therefore not considered a fair and acceptable price.

The economic threshold for price is -10% +10% of the estimated price.

### 3.2.8.3 Negotiations with preferred bidders

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified

through a competitive bidding process as preferred bidders, provided that such negotiation

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

### **3.2.8.3 Two-stage bidding process**

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

### **3.2.8.4 Limited bidding**

#### **1) Multiple source bidding**

- a) Multiple source bidding process can be allowed-
  - (i) In the case of limited competition where only few prospective bidders are requested to make proposal;
  - (ii) Where there is no infringement on the rights of other possible suppliers
- b) Thorough analysis of the market should be done to minimize the risk.

#### **2) Single source bidding**



In this process only one amongst a few prospective bidders is requested to make a proposal after a transparent and equitable pre – selection process was followed.

### **3) Closed tender bidding**

The municipality may use a closed selection process where:

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

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

### **4) Sole sourcing bidding**

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

#### **3.2.8.5 Public / Private Partnership (PPP)**

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

#### **3.2.8.6 Accommodation and/or conference facilities for conferences or seminars**

- (1) Whenever possible be obtained by means of competitive bidding or
- (2) Be obtained by means of written or formal written price quotations

#### **3.2.8.7 Unsolicited bids**

- (1) In accordance with section 113 of the Act, the municipality is not obliged to



consider unsolicited bids received outside a normal bidding process;

(2) The Accounting Officer may decide in terms of section 113(2) of the Act to

consider an unsolicited bid only if –

- (a) the product or service offered in terms of the bid is demonstrably or
  - (b) proven unique innovative concept;
  - (c) the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the municipality
- 
- (d) the person who made the bid is the sole provider of the product or service; and
  - (e) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer

(3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (2) above, the decision must be made public in accordance with section

21A of the Municipal System Act, together with –

- (a) reasons as to why the bid should not be open to other competitors;
- (b) an explanation of the potential benefits for the municipality were it accept the unsolicited bid;
- (c) An invitation to public or other potential suppliers to submit their comments within 30 days of the notice.

(4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.



- (7) When considering the matter, the adjudication committee must take into account –
- (a) any comments submitted by the public; and
  - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.
- (10) Before deciding to consider an unsolicited bid there must be compelling reasons not to use the competitive bidding process which in some cases will bring other innovative or unique processes / products to light.

#### **3.2.8.8 Committee system for competitive bids**

- (1) The Municipality's committee system for competitive bids shall consist of the following committees:
- (a) a bid specification committee;
  - (b) a bid evaluation committee; and
  - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act.
- (3) A neutral or independent observer, appointed by the accounting officer, may attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The Accounting Officer may apply the bid committee system to written priced quotation if he deems it necessary.

- (5) A bid committee established in terms of the shall perform its functions, exercise its powers and discharge its duties independently and without fear, favour or prejudice and shall be accountable to the accounting officer.

**A. Bid specification committees**

- (1) A bid specification committee must compile the specifications for goods or services that must be procured by the municipality.

(2) Specifications –

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

- (g) must be approved by the accounting officer prior to publication of the invitation for bids.
- (3) A bid specification committee must be composed of one or more officials of the preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
- (5) All bid specifications and bid documentation must be compiled by the bid specification committee constituted for each project or procurement activity.
- (6) The Bid Specification Committee shall be comprised of at least three municipal officials, an appointed Chairperson, the responsible official in the unit requiring service and at least one Supply Chain Management Practitioner/Official of the district.
- (7) Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
- (8) The Municipal Manager, or his/her delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Specification Committee.

**(B) Bid evaluation committees**

- (1) A bid evaluation committee must –
  - (a) evaluate bids in accordance with –
    - (i) the specifications for a specific procurement; and
    - (ii) the preference points system set out in terms of paragraph -----
  - (b) evaluate each bidder's ability to execute the contract;
  - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and

- (d) verify the validity of the tax clearance certificate issued by SARS;
- (2) A bid evaluation committee must as far as possible be composed of-  
The Bid Evaluation Committee shall be comprised of at least three district officials, an appointed Chairperson, the responsible official and at least one Supply Chain Management Practitioner/personnel of the District.

- (a) officials from departments requiring the goods or services; and  
(b) at least one supply chain management practitioner of the CDM.

- (3) The bid evaluation committee will evaluate all bids received in accordance with the criteria specified in the bid specifications, and submit a report and recommendations regarding the award of a bid to the adjudication committee.
- (4) The district shall not be obliged to accept the lowest of any bid.

### **Evaluation of Bid**

Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:

- whose bid was endorsed as being invalid by the responsible official at the bid opening;
- bid does not comply with the provisions for combating abuse of this Policy;
- whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
- whose bid is not in compliance with the specification;
- whose bid is not in compliance with the terms and conditions of the bid documentation;
- whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this Policy;

- who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;
- who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and

Bids shall be evaluated according to the following as applicable:

- 
- bid price (corrected if applicable and brought to a comparative level where necessary),
- the unit rates and prices, the bidder's ability to fulfil its obligations in terms of the bid documents,
- any qualifications to the bid,
  - the bid ranking obtained in respect of preferential procurement as required by this Policy,
  - the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
  - any other criteria specified in the bid documents.
- No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document.
  - The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
  - Additional information or clarification of bids may be called for if required but only in writing.
  - Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The District shall not be bound to consider alternative bids.

- If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report.
  - The bidder obtaining the highest number of points must be recommended for acceptance unless there are reasonable and justifiable grounds to recommend another bidder.
  - If, after bids have been brought to a comparative level, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
  - Review thoroughly the evaluation report prepared and submitted by the appointed professional consultant
- 
- If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
  - All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

*Recommendation to Bid Adjudication Committee*

- The Bid Evaluation Committee shall, having considered the Consultant's draft report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award or further recommendation to the Accounting Officer for final award.

**C. Bid adjudication committees**

- (1) A bid adjudication committee must –
  - (a) consider the report and recommendations of the bid evaluation committee; and
  - (b) either –

- (i) depending on its delegations, make a final award or a recommendation to the approving authority to make the final award; or
  - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement
- (2) The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:
  - the Chief Financial Officer or a Manager designated by the Chief Financial Officer;
  - at least one senior supply chain management practitioner of the District;and
  - a technical expert in the relevant field who is an official of the District, if the District has such an expert.
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer must comply with section 114 of the Act within 10 working days

#### *Adjudication and Award*

- The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Municipal Manager on how to proceed with the relevant procurement.
- The Municipal Manager may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication



Committee back to that committee for reconsideration of the recommendation.

#### *Approval of Bid not Rrecommended*

- If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:
  - ✓ check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;
  - ✓ check in respect of the preferred bidder that it has the resources and skills required to fulfil its obligations in terms of the bid document.
  - ✓ notify the Municipal Manager.

The Municipal Manager may:

- after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to above.
- If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.
- If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Municipal Manager must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

#### *Reconsideration of Recommendations*

- The Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid

Adjudication Committee back to that Committee for reconsideration of the recommendation.

#### *Notification of Decision and Award of Contract*

- If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful bidder shall be notified in writing of this decision.
- Every notification of decision and/or formal acceptance/award of a bid must be in writing and shall:
  - ✓ be delivered by hand on the day that it was signed and dated; or
  - ✓ be faxed to the address chosen by the bidder on the day that it was signed and dated, with a copy of the transmission verification report kept for record purposes.

#### **3.2.8.9**

#### **Procurement of**

#### **banking services**

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

#### **3.2.8.10**

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



- (1) The accounting officer may request the services of IT specialists to assist with the acquisition of IT related goods or services through a competitive bidding process.
  - (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made,
  - (3) The accounting officer must notify the IT specialists together with a motivation of the IT needs if –
    - (a) the transaction value of IT related goods or services required in any financial year will exceed R5 million (VAT included); or
    - (b) the transaction value of a contract to be procured whether for one or more years exceeds R5 million (VAT included).
- 

#### **3.2.8.11 Procurement of goods and services under contracts secured by other organs of state**

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

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

#### **3.2.8.12 Proudly SA Campaign**

Capricorn District Municipality will ensure that when procuring, preference is given to local goods and services.

#### **3.2.8.13 Appointment of consultants**

- 1) The consultants shall be appointed according to the applicable Acts as amended and remunerated according to the latest applicable Government Gazette regarding professional fees:
- 2) Consultancy services must be procured through competitive bids if
  - a) the value of the contract exceeds R200 000 (VAT included); or
  - b) the duration period of the contract exceeds one year.
- 3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
  - a) all consultancy services provided to an organ of state in the last five years; and
  - b) any similar consultancy services provided to an organ of state in the last five years.
- (5) 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.

#### **3.2.8.14 NON- TECHNICAL PROJECTS AND CONSULTANTS**

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

### **PART III: LOGISTICS MANAGEMENT**

#### **3.3 Logistics Management**

- 3.3.1 The Accounting Officer must establish and implement an effective system of logistics management, which must include -

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

3.3.2 The SCM unit shall be responsible and accountable for the establishment, management and operation of store facilities for the Municipality.

3.3.3 The management of stores shall include amongst others:

- a) The day to day operation of the Municipality's store;
- b) Determining the range and nature of items that will be carried in the store facility;
- c) Setting the inventory level;
- d) Timely placement of orders when stock levels are low;
- e) Receiving and distribution of goods; and
- f) Expediting orders.

#### **PART IV: DISPOSAL MANAGEMENT**

### 3.4 Disposal Management

The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

- (a) vehicles that have been scrapped;
- (b) motors, pumps, panels and other electro-mechanical equipment which do not have the capacity to meet the demand and which cannot be used elsewhere in the system;
- (c) damaged motors, pumps, panels and other electro-mechanical equipment, the repairs to which cost more than 60% of the cost of a new replacement item; and
- (d) plant, vehicles and equipment that have exceeded their economic life.

(2) Assets may be disposed of by –

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

(3) The accounting officer must ensure that –

- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;

- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
  - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
  - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
  - (g) in the case of the free disposal of computer equipment, the councillors are first approached to indicate within 30 days whether any of the local schools, traditional leaders, NGO's are interested in the equipment.
- 

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

## **PART V: RISK MANAGEMENT**

### **3.5 Risk Management**

The following risk management measures shall be implemented under this policy.

#### **3.5.1 Bid Security**

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

council will underwrite the risks of such contracts in order to provide opportunities that will target a specific sector.

### **3.5.2 Professional Registration And Indemnity Insurance**

(1) In order to maintain such a high standard of work and keeping in mind the possible risk Council is exposed to, as well as the relevant legislation regarding the professions, it is of utmost importance that only firms registered with their relevant professional bodies are allowed for appointment by Council.

(2) Furthermore, all such firms must have a valid and current Professional Indemnity insurance policy in place. The purpose of such a policy is to provide protection for any loss, damage, death liability or take-over of a third party or a loss sustained by the Council, related to an oversight, omission or negligence pertaining to the non-adherence of professional duties for which the consultant is responsible.

### **3.5.3 Deed Of Cession**

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

### **3.5.4 Insurance**

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





### **3.5.5 Sureties**

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

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

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

### **3.5.6 Retention**

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

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

b) The retention will be released as follows:

- Micro : 2.5% released at completion of the Project and the

balance after 3 months



- Small : 2.5% released at completion of the Project and the  
balance after 6 months
  - Medium: 5% released at completion of the Project and the  
balance after 12 months
  - Large : 5% released at completion of the Project and the  
balance after 12 months
- c) CDM shall retain 5% on the account of the consultant as retention, which will be released after three (03) months, provided the following conditions have been complied with:
- 1) Submission of as built drawings;
  - 2) Submission of completion reports, operating manuals and Equipment warranties; and
  - 3) There are no unresolved management and or community issues outstanding.

### **3.5.7 Penalties**

- a) All contracts awarded to contractors will be subject to a penalty clause. The penalty clause is necessary to encourage contractors to complete their assignments within the contract time.
- b) The following penalties should be applicable
  - (i) Micro projects 0.02 % of contract amount per day
  - (ii) Small projects 0.04 % of contract amount per day
  - (iii) Medium projects 0.06 % of contract amount per day
  - (iv) Large projects 0.1 % of contract amount per day
- (v) A penalty clause does not and cannot ensure that a contract will be completed on time and therefore the enforcement of penalties will become a reality. Penalties should at least cover any loss incurred by the Council.

## **PART VI: PERFORMANCE MANAGEMENT**

### **3.5 Performance Management**

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

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

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## **CHAPTER 4: MISCELLANEOUS MATTERS**

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

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

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

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

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

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

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state;

and

- (c) the amount of the award.

#### **4.4 Ethical standards**

(1) All officials and other role players engaged in the supply chain management system of the Municipality, must comply with the highest ethical standards in order to promote mutual trust and respect, and an environment where business can with integrity and in a fair and reasonable manner;

(2) All officials of the Municipality must comply with provisions of the Code of Conduct for officials as contained in Schedule 2 of the Municipal Systems Act, and the National Treasury's Code of Conduct for Supply Chain Management Practitioners and other role players involved in Supply Chain Management as adopted by Council.

(3) In the event that an official abuses or do not comply with the provisions of the SCM Policy. Action shall be taken against the official in terms of the Conditions of Service as well as Chapter 15 of the Act.

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

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;

- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
  - (d) notwithstanding subparagraph (4) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
  - (e) must, for the purpose of subparagraph (b) above, declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
  - (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
  - (g) must be scrupulous in his or her use of property belonging to Municipality;
  - (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
  - (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
    - (i) any alleged fraud, corruption, favouritism or unfair conduct;
    - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
    - (iii) any alleged breach of this code of ethical standards.
- (5) Declarations in terms of subparagraphs (4)(d) and (e) -

- (a) must be recorded in a register which the accounting officer must keep for this purpose;
  - (b) by the accounting officer must be made to the Executive Mayor of the Municipality who must ensure that such declarations are recorded in the register.
- (6) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

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

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- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to the Municipality for or in connection with the award of a contract; or
  - (b) any reward, gift, favour or hospitality to –
    - (i) any official; or
    - (ii) any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

#### **4.6 Sponsorships**

- (1) The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or



granted, whether directly or through a representative or intermediary, by any person who is –

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

#### **4.7 Objections and complaints**

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

#### **4.8 Resolution of disputes, objections, complaints and queries**

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

- (b) submit monthly reports to the accounting officer on all disputes, objections, complaint or queries received, attended to or resolved.
  - (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
    - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
    - (b) no response is forthcoming within 60 days.
  - (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- 

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

#### **4.9 Contracts providing for compensation based on turnover**

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

#### **4.10 Amendment of the supply chain management policy**

- (1) The accounting officer must –
  - (a) at least annually review the implementation of this Policy; and
  - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to Council.
- (2) If the accounting officer submits proposed amendments to Council, that differ from the guidelines issued by the National Treasury, the



accounting officer must ensure that such proposed amendments comply with the Regulations;

- (4) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

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

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The accounting officer may –

- (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
- (i) in an emergency<sup>1</sup>;
  - (ii) if such goods or services are produced or available from a single provider only;
  - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
  - (iv) acquisition of animals for zoos and/or nature and game reserves; or
  - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties, which are purely of a technical nature.

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<sup>1</sup> The delivery of water services, electricity by its nature, will from time to time require emergency procurement and / or the obtaining of less than three quotes to avoid risking the health and safety of the consumers. In such cases the prior approval of the Accounting Officer shall be obtained. In extreme cases where life and property are threatened the most senior person.

- (c) In extreme cases where life and property are threatened the most senior person available shall authorize emergency measures which shall be reported to the Accounting Officer as soon as reasonably possible.
  - (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
  - (3) Subparagraph (2) does apply only to the procurement of goods and services contemplated in paragraph 4.11 of this policy.
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## **4.12 Avoiding abuse of Supply Chain Management System**

### **4.12.1 The Accounting Officer:**

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

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

#### **4.11 Commencement**

Council resolves in terms of Sec 111 of the Local Government Municipal Finance Management Act (Act No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of Capricorn District Municipality as per council resolution number **OC 04/10/8.7.3 (i)**

#### **4.12. APPROVAL**

This policy was approved by council on the 10th day of December 2010.

Signed by *Phogole T.M* in his/her capacity as *Acting Municipal Manager* on behalf of council, on the *03* of *March 2011*

This Policy takes effect on the **10 December 2010**