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## Supply Chain Management Policy

CENTLEC (SOC) LTD	
<b>Subject:</b> Supply Chain Management Policy	Policy No:
<b>Directorate:</b> Finance	Board Item No:
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## Definitions:

<b>A-class Items</b>	A-class items are those items that are not consumable or expendable.
<b>Acquisition management</b>	<p>Acquisition management is the process of procurement of goods or services :</p> <p><input type="checkbox"/></p> <p>in order to ensure that acquisition delegations are in place in the organisation, the market strategy is assessed and a sourcing (procurement) strategy is determined, bid documents are compiled, bids are solicited, responses are received, responses are evaluated and assessed and awarded by the Bid Adjudication Committees</p>
<b>Affordable</b>	<p>Affordable in relation to a PPP agreement, means that the financial obligations to be incurred by the entity in terms of the agreement can be met by:</p> <p><input type="checkbox"/> Funds designated in the entity's budget for the current year for the activity outsourced in terms of the agreement;</p> <p><input type="checkbox"/> Funds destined for that activity in accordance with the future budgetary projections of the entity;</p> <p><input type="checkbox"/> Any allocations of the entity;</p> <p><input type="checkbox"/> Or a combination of such funds and allocations.</p>
<b>Agreement</b>	In relation to a <i>prohibited Practice in terms of the Competition Act 89 of 1998 as amended</i> , includes a contract, arrangement or understanding, whether or not legally enforceable
<b>Asset</b>	<p>It is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics:</p> <p><input type="checkbox"/> It possesses service potential or future economic benefit that is expected to flow to the entity.</p> <p><input type="checkbox"/> It is controlled by the entity.</p> <p><input type="checkbox"/> It originates as a result of a past transaction or event.</p>
<b>Buy out</b>	Pay someone to give up an ownership.
<b>Competitive bid</b>	Means a bid in terms of a competitive bidding process.
<b>Competitive bidding process</b>	Means a competitive bidding process referred to in section 24 of this policy.
<b>Concerted Practice</b>	Means co-operative, or coordinated conduct between <i>firms</i> , achieved through direct or indirect contact, that replaces their independent action, but which does not amount to an <i>agreement</i> .

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<b>Current asset (inventory-perishable goods)</b>	An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.
<b>Customer service</b>	It is the process of serving customers in accordance with acceptable, pre-determined standards in such a manner that it increases customer satisfaction and minimizes times and costs.
<b>Demand management</b>	Demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs.
<b>Depreciation</b>	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognized as a cost of production and an allowance for this is made before net profit is arrived at.
<b>Disposal management</b>	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with movable assets in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.
<b>E-class accountable</b>	Accounting in respect of those stores approved by the relevant Treasury as consumables.
<b>E-class items</b>	E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable.
<b>Economic principle</b>	Obtain the highest possible output for the lowest possible use of resources.
<b>Economy of scale</b>	Reductions in the average cost of a product in the long run, resulting from an expanded level of output
<b>Equipment</b>	A-class countable stores that are issued and accounted for on an inventory.
<b>Final award</b>	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
<b>Formal written price quotation</b>	Means quotations referred to in sub-section 11 of section 23 of this policy.
<b>Historically disadvantaged individual</b>	<p>Historically Disadvantaged Individual (HDI) means a South African citizen who:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no 200 of 1993)(“the Interim Constitution”); and/or</li> </ul>

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	<input type="checkbox"/> Is female and/or <input type="checkbox"/> Has a disability.  <p>Provided that a person, who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.</p>
<b>Horizontal Relationship</b>	Means a relationship between competitors
<b>Immovable assets</b>	All non-produced, non-financial tangible assets, namely land, subsoil assets, water resources and some fixed tangible assets namely fixed structures (bridges, houses and roads).
<b>Intangible assets</b>	Intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.
<b>Integrated SCM</b>	The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimizing the total cost of SCM elements.
<b>In the service of the state</b>	<p>Means to be:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> A member of <ul style="list-style-type: none"> <li>▪ Any municipal council,</li> <li>▪ Any provincial legislature; or</li> <li>▪ The National Assembly or the national Council of Provinces.</li> </ul> </li> <li><input type="checkbox"/> A member of the board of directors of any municipal entity.</li> <li><input type="checkbox"/> An official of any entity or municipal entity.</li> <li><input type="checkbox"/> An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No 1 of 1999).</li> <li><input type="checkbox"/> A member of the accounting authority of any national or provincial public entity; or</li> <li><input type="checkbox"/> An employee of Parliament or a provincial legislature.</li> </ul>
<b>Inventories</b>	Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.
<b>Inventory (movable assets) management</b>	It shall be possible to determine accountability for all A-class-accountable items at all times. Records shall therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts shall therefore be maintained for all A-class items.

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<b>Items</b>	An individual article or unit.
<b>Lifecycle costing</b>	Lifecycle costing is a technique developed to identify and quantify all costs, initial and on-going, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
<b>List of accredited prospective providers</b>	Means a list of accredited prospective providers which an entity or municipal entity must keep in terms of this policy.
<b>Logistics management</b>	Logistics management ensure that goods and services are available at the right place, time and quantities required to execute the functions of the entity.
<b>Long term contract</b>	Means a contract with a duration period exceeding one year.
<b>Measurable objectives</b>	Measurable objectives identify very specific things that the entity intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
<b>Movable assets</b>	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc.). All inventories and valuables and most fixed assets belong to this category.
<b>Municipal functions</b>	Means: <ul style="list-style-type: none"> <li><input type="checkbox"/> A municipal service.</li> <li><input type="checkbox"/> Any other activity within the legal competence of an entity.</li> </ul>
<b>Municipal property</b>	In relation to an entity, includes any movable, immovable or intellectual property, owned by or under the control of: <ul style="list-style-type: none"> <li><input type="checkbox"/> A entity; or</li> <li><input type="checkbox"/> A municipal entity under the sole or shared control of the entity.</li> </ul>
<b>Net present value (NPV)</b>	The sum that results when the discounted value of the expected costs of an investment are deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
<b>Obsolete</b>	No longer produced or used, out of date, to become obsolete by replacing it with something new.
<b>Official</b>	Official means: <ul style="list-style-type: none"> <li><input type="checkbox"/> An employee of an entity;</li> <li><input type="checkbox"/> A person seconded to an entity to work as a member of the staff of the entity;</li> </ul>

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	<input type="checkbox"/> A person contracted to an entity to work as a member of the staff of the entity otherwise than as an employee.
<b>Operation and maintenance plan</b>	The objective of operation and maintenance plans is to ensure assets remain appropriate to Programme requirements, are efficiently utilized, and are maintained in the necessary condition to support Programme delivery at the lowest possible long-term cost.
<b>Other applicable legislation</b>	<p>Means any other legislation applicable to municipal supply chain management, including:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000).</li> <li><input type="checkbox"/> The Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003).</li> <li><input type="checkbox"/> The Construction Industry Development Board Act, 2000 (Act No 38 of 2000).</li> </ul>
<b>Over-utilization</b>	Over-utilization can have adverse effects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs.
<b>Practitioner</b>	A person who practices a profession or art.
<b>Private party</b>	<p>In terms of a PPP, excludes:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> A entity;</li> <li><input type="checkbox"/> A municipal entity; or</li> <li><input type="checkbox"/> An organ of state, including an institution listed in any of the schedules of the Public Finance Management Act, 1999 (Act 1 of 1999).</li> </ul>
<b>Procedures</b>	Policies are carried out by means of more detailed guidelines called "standard methods". A series of actions conducted in a certain order or manner.
<b>Process</b>	A series of actions or steps towards achieving a particular end.
<b>Project management</b>	Project management is the planning, directing and controlling of an organization's resources over a short term to ensure that specific objectives are successfully met.
<b>Provider</b>	A provider is the private person or institution that provides supplies, services or works to the Government.
<b>Public-private partnership</b>	<p>Means a commercial transaction between an entity and a private party in terms of which the private party:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Performs a municipal function on behalf of an entity.</li> </ul>



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	<ul style="list-style-type: none"> <li><input type="checkbox"/> Acquires the use of municipal property for its own commercial purposes.</li> <li><input type="checkbox"/> Performs both a municipal function and acquires the use of municipal property as referred to above.</li> <li><input type="checkbox"/> Assumes substantial financial, technical and operational risks in connection with the performance of the municipal function or use of municipal property</li> <li><input type="checkbox"/> Receives a benefit for performing a municipal function or from utilizing municipal property, by way of: <ul style="list-style-type: none"> <li>▪ Consideration to be paid by the entity.</li> <li>▪ Charges or fees to be collected by the private party from users or customers of a service provided to them.</li> <li>▪ A combination of the above.</li> </ul> </li> </ul>
<b>Quittance</b>	The acknowledgement by the recipient of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.
<b>Redundant</b>	No longer needed or useful, superfluous (unnecessary).
<b>SCM Regulations</b>	Means the Local Government: Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations.
<b>Renewal</b>	Replace or restore (something broken or worn out).
<b>Risk management</b>	Risk management may be defined as the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
<b>Rules</b>	Rules are statements that a specific action must or must not be taken in a given situation.
<b>Salvage</b>	The Act of saving any goods or property in danger of damage or destruction.
<b>SMME</b>	Means a separate and distinct business entity, including co-operative enterprises and non-governmental organizations', managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro, a very small, a small or a medium enterprise by satisfying the criteria opposite the smallest relevant size or class.
<b>Sourcing</b>	Find out where to obtain.
<b>Stores/stock</b>	All movable state property/assets that are kept in stock for issue purposes.

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<b>Strategic goals</b>	Strategic goals are areas of organizational performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the organization.
<b>Strategic objectives</b>	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what the entity intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or “results” of actions that the entity intends taking.
<b>Treasury guidelines</b>	Means the guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.
<b>The MFMA</b>	Means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
<b>Under-utilization</b>	Under-utilization will increase the unit cost of Programme delivery and may prompt the purchase of new assets when they are not required.
<b>Value for money</b>	In relation to public-private partnership agreements, means that the performance of a private party in terms of the agreement will result in a net benefit to the entity in terms of cost, price, quality, quantity, risk transfer or any combination of those factors.
<b>Written or verbal quotations</b>	Means quotations referred to in sub-section 11 of section 23 of this policy.

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### ABBREVIATIONS

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

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<b>SMME</b>	Small Medium and Micro Enterprise
<b>SP</b>	Service Provider
<b>TCO</b>	Total Cost of Ownership
<b>TOR</b>	Terms of Reference
<b>EME</b>	means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
<b>QSE</b>	QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; “Rand value” means the total estimated

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## SECTION 1: OBJECTIVE OF THE POLICY

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

## SECTION 2: SUPPLY CHAIN MANAGEMENT POLICY

- 2.1 The board of directors of Centlec (SOC) Ltd resolves in terms of section 111 of the MFMA to have and implement a supply chain management policy that:
  - 2.1.1 Gives effect to:
    - 2.1.1.1 Section 217 of the Constitution; and
    - 2.1.1.2 Part 1 of Chapter 11 and other applicable provisions of the MFMA.
  - 2.1.2 Is fair, equitable, transparent, competitive and cost effective.
  - 2.1.3 Complies with:
    - 2.1.3.1 The regulatory framework prescribed in Chapter 2 of the Local Government: Municipal Supply Chain Management Regulations, 2005;
    - 2.1.3.2 Preferential Procurement Regulations, 2000 (Act No.5 of 2000) and
    - 2.1.3.3 Any minimum norms and standards that may be prescribed in terms of section 168 of the Act.

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2.1.4 Is consistent with other applicable legislation.

2.1.5 Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres, and

2.1.6 Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

2.2 The entity may not act otherwise than in accordance with this supply chain management policy when:

2.2.1 Procuring goods or services.

2.2.2 Disposing of goods no longer needed.

2.2.3 Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies.

2.2.4 In the case of the entity, selecting external mechanisms referred to in section 80(1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

2.3 Subparagraphs 2.2.1 and 2.2.2 of this policy do not apply in the circumstances described in section 110(2) and 110(3) of the Act except where specifically provided otherwise in this policy.

## **SECTION 3: APPROVAL AND AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY**

3.1 The Accounting Officer shall:

3.1.1 At least annually review the implementation of this policy.

3.1.2 When the Accounting Officer considers it necessary, submit proposals for the amendment of this policy to the board of directors.

3.2 If the Accounting Officer submits a draft policy to the board of directors that differs from the model policy, the Accounting Officer must ensure that such draft policy complies with the Regulations. The Accounting

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Officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

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

3.4 The Accounting Officer of the entity in terms of section 99(2)(h) of the Act, take all reasonable steps to ensure that the entity has and implements this supply chain management policy.

## **SECTION 4: LEGISLATIVE ENVIRONMENT**

### **4.1 THE CONSTITUTION**

4.1.1 In establishing a SCM policy document, the organ of state must produce a document that complies with section 217 of the Constitution of the Republic of South Africa, Act No 108 of 1996, as amended, which reads as follows:

4.1.2 “217(1) When an Organ of State in the national, provincial or local sphere of Government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

4.1.3 Subsection (1) does not prevent the Organs of State or institutions referred to in the subsection from implementing a procurement policy providing for:

4.1.3.1 Categories of preference in the allocation of contracts; and

4.1.3.2 The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

4.1.4 National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.”

### **4.2 THE MUNICIPAL FINANCE MANAGEMENT ACT**

4.2.1 The Municipal Finance Management Act, Act No 56 of 2003, sets out the responsibilities of the entity’s Accounting Officer and highlights a number of aspects impacting on supply chain management. The main aspects pertaining to supply chain management are as indicated hereunder.

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4.2.2 Section 2 stipulates that municipal entities must establish norms and standards and other requirements for:

4.2.2.1 Ensuring transparency, accountability and appropriate lines of responsibility.

4.2.2.2 The management of their revenues, expenditures, assets and liabilities.

4.2.2.3 Supply chain management.

4.2.3 Section 90 stipulates an entity may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

4.2.4 Section 94 (2) stipulates that the Accounting Officer may not act in a way that is inconsistent with the responsibilities assigned to him / her entities in terms of this Act; or use the position or privileges of, or confidential information obtained as Accounting Officer, for personal gain or to improperly benefit another person.

4.2.5 Section 96(1) stipulates that the Accounting Officer of an entity is responsible for the management of the assets of the entity, including the safeguarding and the maintenance of those assets.

4.2.6 Section 96(2) stipulates that the entity has and maintains a system of internal control of assets, including an asset register, as may be prescribed.

4.2.7 Section 111 stipulates that each entity must have and implement a SCM policy.

4.2.8 Section 112 stipulates that the SCM policy must be fair, equitable, transparent, competitive and cost-effective.

4.2.9 Section 113 stipulates that an entity is not obliged to consider an unsolicited bid received outside its normal bidding process.

4.2.10 Section 114 stipulates if a bid other than the one recommended in the normal course of implementing the SCM policy, is approved, the Accounting Officer must, in writing, notify the A-G, the provincial and national treasury, of the reasons for deviating from such recommendation.

4.2.11 Section 115 which stipulates that the Accounting Officer must:



4.2.11.1 Implement the SCM policy.

4.2.11.2 Take all reasonable steps to ensure that proper mechanisms and separation of duties in the SCM system are in place to minimize the likelihood of fraud, corruption, favoritism and unfair and irregular practices.

4.2.12 Section 116 stipulates that a contract or agreement procured through the supply chain management system must be in writing and stipulate the terms and conditions of the contract or agreement.

4.2.13 Section 117 stipulates that no councilor of the entity may be a member of a Bid Committee or any other committee evaluating or approving bids, quotations, contracts or other bids, nor attend any such meeting as an observer.

4.2.14 Section 118 stipulates that no person may interfere with the SCM system or amend or tamper with any bids, quotations, contracts or bids after the submission.

4.2.15 Section 119 stipulates that the AO and all other officials involved in the implementation of the SCM policy must meet the prescribed competency levels.

### **4.3 REGULATIONS**

4.3.1 The purpose of the Regulations in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) is:

4.3.1.1 To cover the establishment of SCM policies and

4.3.1.2 To provide a framework for SCM policies.

4.3.2 The aspects of SCM are:

4.3.2.1 It stipulates that each entity must have and implement a SCM policy.

4.3.2.2 The board of directors must delegate such supply chain management powers and duties to the AO.

4.3.2.3 Each entity must establish a SCM unit (SCMU) to implement its supply chain management policy. The SCM Unit must, where possible operate under the direct supervision of the CFO.

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4.3.3 The training of officials involved in implementing a supply chain management policy should be in accordance with any guidelines issued by the National Treasury.

4.3.4 The SCM system must provide effective systems for the following:

4.3.4.1 Demand management.

4.3.4.2 Acquisition management.

4.3.4.3 Logistics management.

4.3.4.4 Disposal management.

4.3.4.5 Risk management

4.3.4.6 Performance management.

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

4.4.1 The Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000 and its regulations issued in August 2001, was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution.

4.4.2 The following are the key elements noted in the Act and regulations:

4.4.2.1 The Entity must determine its preferential procurement policy within the framework of the legislation.

4.4.2.2 A preference point system must be followed.

4.4.2.3 The 90/10 principle must be applied for contracts with the Rand value above R50 million.

Thereafter, only the qualifying bids are evaluated in terms of the 80/20 or 90/10 preference points systems, where the 80 or 90 points must be used for price only and the 20 or 10 points are used for B-BBEE status level.

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4.4.2.4 Contracting with persons or categories of persons historically disadvantaged because of race, gender or disability.

4.4.2.5 Promoting local production and content.

4.4.3 Functionality and price may be evaluated.

4.4.4 Tax affairs of companies must be in order.

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

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

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

4.5.3 The strategy is underpinned by the following principles:

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

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

4.5.3.3 BEE is part of a growth strategy for a more equitable economy that will benefit all South Africans, individuals and enterprises. As such it stresses growth and enterprise development, including new enterprises and not only the redistribution of existing wealth. Progress of the BEE is to be measured by a balanced scorecard that provides a framework against which to benchmark the BEE process in different enterprises and sectors.

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

- 4.5.3.5 The Minister of Trade and Industry has developed broad-based charters to promote BEE, and issued codes of practice that include qualification criteria for preferential procurement and other economic activities.

### **4.6 CONSTRUCTION INDUSTRY DEVELOPMENT BOARD ACT (CIDB ACT)**

- 4.6.1.1 The Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

### **4.7 THE KING IV REPORT ON CORPORATE GOVERNANCE SOUTH AFRICA 2016**

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

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

- 4.8.1 The Entity will adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act, No 12 of 2004 as it affects the supply chain process.
- 4.8.2 The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance of any gratification and the improper influence of another person as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders.
- 4.8.3 The act focusses on :
- 4.8.3.1 Part 1 – General offence of corruption
- 4.8.3.2 Part 2 – Offences in respect of corrupt activities relating to specific persons

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4.8.3.3 Part 3 – Offences in respect of corrupt activities relating to receiving or offering of unauthorized gratification

4.8.3.4 Part 4 – Offences in respect of corrupt activities relating to specific matters

4.8.3.5 Part 5 – Miscellaneous Offences relating to possible conflict of interest

4.8.3.6 Part 6 – Other offences relating to corrupt activities

### **4.9 THE NATIONAL SMALL ENTERPRISE ACT**

4.9.1 The National Small Enterprise Act, No 102 of 1996, as amended, establishes structures to promote small enterprises. The main functions are inter alia:

4.9.1.1 To expand, coordinate and monitor the provision of training, advice, counselling and any other non-financial services to small enterprise in accordance with the National Small Enterprise Support Strategy.

4.9.1.2 To consult with any organ of government, the NSBC or a service provider in order to inter alia:

4.9.1.3 Facilitate the provision of business advice and counseling services to small enterprises.

4.9.1.4 Facilitate national market access for products and services of small enterprises.

4.9.1.5 Generally strengthen the capacity of service providers to support small enterprises and small enterprises to compete successfully in the economy.

4.9.2 To enable small enterprises to compete successfully in the economy, the procurement policies and practices influence the economic behavior of small enterprises, and therefore during the procurement process, it is important to implement guidelines to promote small enterprises.

### **4.10 STATE INFORMATION TECHNOLOGY AGENCY (SITA) ACT**

4.10.1 The State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended by Act 38 of 2002, requires that SITA must act as the procurement agency for every department's information technology requirements. This act prescribes that all municipalities are compelled to procure all information technology through SITA, as listed in the National Treasury Practice Note Number 5 of 2009/2010.

### **4.11 PUBLIC-PRIVATE PARTNERSHIPS**

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- 4.11.1 Whatever goods, works and/or services are procured by means of public private partnerships, section 120 of the MFMA as well as the Municipal Public-Private Partnership Regulations, and must be adhered to.

Section 120 of the MFMA states that:

Conditions and process for public-private partnerships.

(1) A municipality may enter only into a public-private partnership agreement with the municipality can demonstrate that the

Agreement will—

- a) Provide value for money to the municipality;
  - b) Be affordable for the municipality; and
  - c) Transfer appropriate technical, operational and financial risk to the private party.
- 2) A public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships.
- 3) If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with.
- 4) Before a public-private partnership is concluded, the municipality must conduct a feasibility in accordance with Section 120.4 of the MFMA

### **4.12 COMPETITION ACT**

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

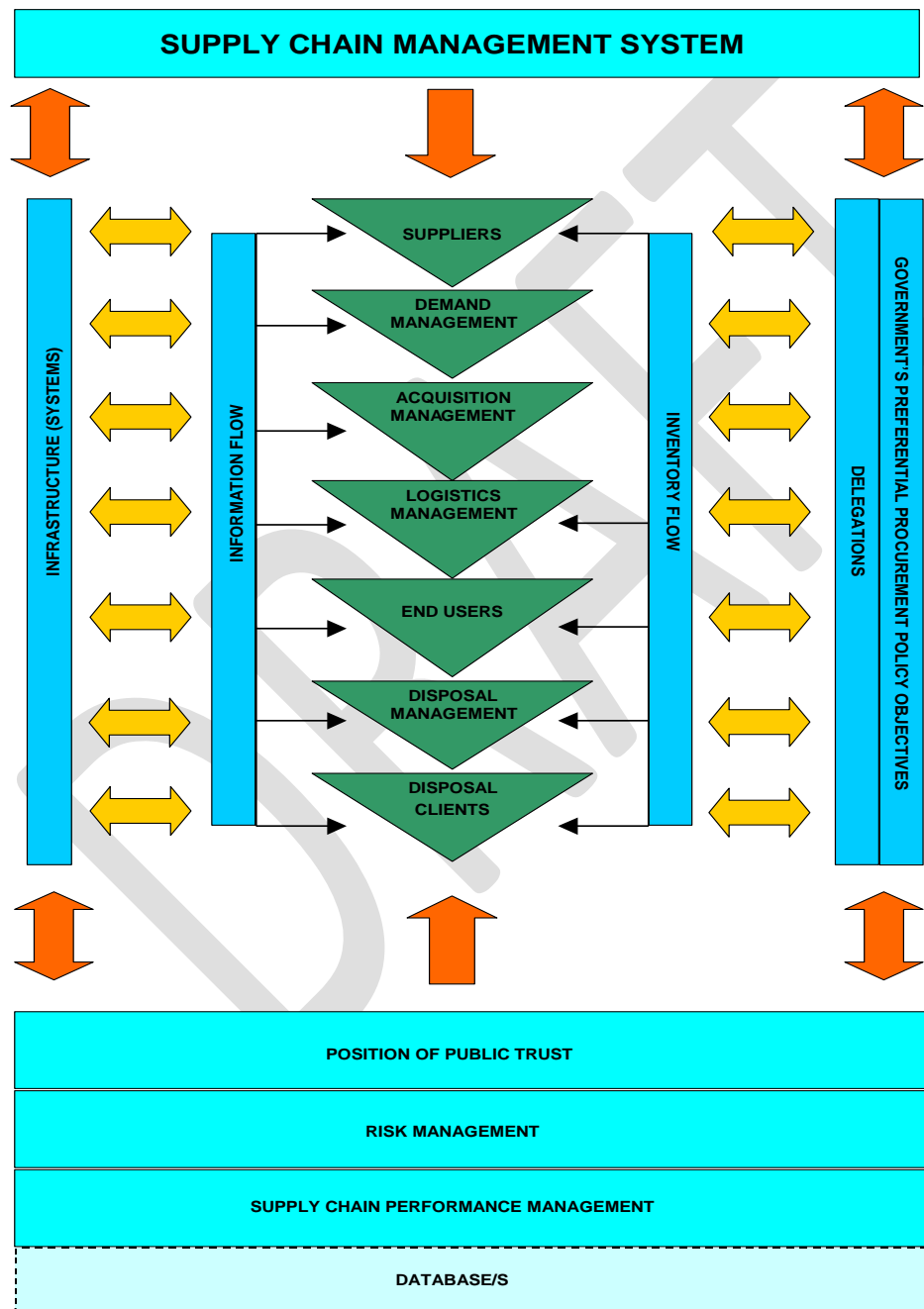
### **4.13 OTHER APPLICABLE BY-LAWS, ORDINANCE OR LEGISLATION**

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

## SECTION 5: THE SUPPLY CHAIN MANAGEMENT SYSTEM

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

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



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## **SECTION 6: SUPPLY CHAIN MANAGEMENT UNIT**

6.1 The Accounting Officer shall establish a supply chain management unit (SCM Unit) under finance department to implement this supply chain management policy.

6.2 The SCM Unit shall, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

6.3 The supply chain management unit provides for the following systems:

6.3.1 Demand management.

6.3.2 Acquisition management.

6.3.3 Logistics management

6.3.4 Disposal management.

6.3.5 Risk management.

6.3.6 Performance management.

6.4 All the activities involved in acquisition and disposal of movable, immovable assets and other goods and services will done and finalized in SCM Unit.

## **SECTION 7: TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS**

7.1 The Accounting Officer and all other officials of the entity involved in the implementation of the supply chain management policy of the entity must meet the prescribed competency levels.

7.2 The entity shall for the purposes of sub-paragraph 3.1 provide resources or opportunities for the training of officials referred to, to meet the prescribed competency levels.

7.3 The National Treasury or the Provincial Treasury may assist the entity in the training of officials.

7.4 The training of officials involved in implementing this supply chain management policy should be in accordance with Local Government: Municipal Regulations on Minimum Competency Levels, 2007 and any guidelines as may be issued by National Treasury from time to time.



7.5 Due to the nature of training or workshop or seminar it will be impossible to follow proper procurement process as a result, the approval by the Accounting Officer or any other official delegated by the Accounting Officer in terms of section 106 of MFMA will be sufficient to regularize the transaction. The transaction should not form part of the deviations as it not in terms of section 36 of Supply Chain Management Regulation.

### **SECTION 8: AUTHORITY TO EXECUTE**

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

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

### **SECTION 9: DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES**

9.1 The Accounting Officer of the entity:

9.1.1 Shall develop an appropriate system of delegation that will both maximize administrative and operational efficiency and provide adequate checks and balances in the entity's financial administration.

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

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

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

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

9.2 The Accounting Officer may not delegate to any political structure or member of the board of directors of the entity any of the powers or duties assigned to Accounting Officers in terms of the Act.

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9.3 A delegation in terms of the above:

9.3.1 Shall be in writing.

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

9.3.3 May either be to a specific individual or to the holder of a specific post in the entity.

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

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

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

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

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

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

9.6 The board of directors shall delegate such supply chain management powers and duties to the Accounting Officer in order to enable the Accounting Officer to:

9.6.1 Maximize administrative and operational efficiency in the implementation of the supply chain management policy.

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- 9.6.2 To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of the supply chain management policy.
- 9.6.3 To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the MFMA.
- 9.7 No supply chain management powers and duties may be delegated or sub-delegated to:
  - 9.7.1 A person who is a councilor of any municipality or a board member of the entity.
  - 9.7.2 A committee of which a councilor of any municipality or board member of the entity is a member.
  - 9.7.3 A person who is not an official of the entity.
  - 9.7.4 A committee which is not exclusively composed of officials of the entity.
- 9.8 This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.

## SECTION 10: SUB-DELEGATIONS

10.1 The Accounting Officer may in terms of section 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this policy.

10.2 The power to make a final award:

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

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

10.2.2.1 The chief financial officer.

10.2.2.2 A senior manager.

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

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

10.2.3.1 The chief financial officer.

10.2.3.2 A senior manager.

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

10.2.3.4 A bid adjudication committee.

10.3 An official or bid adjudication committee to which the power to make final awards has been sub-delegated must within five days of the end of each month submit to the official stipulated in subparagraph 10.4 a written report containing particulars of each final award made by such official or committee during that month, including:

10.3.1 The amount of the award.

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

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

10.4 A written report referred to in paragraph 10.3 above, must be submitted:

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

10.4.1.1 The chief financial officer.

10.4.1.2 A senior manager.

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

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

10.4.2.1 A manager referred to in subparagraph 10.2.3.3 above.

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

10.5 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.

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

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

## **SECTION 11: DELEGATION OF DUTIES AND RESPONSIBILITIES**

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

### **Responsibility**

- 11.2 Responsibility must be clearly delegated in writing. Formal acceptance of the delegated duties and responsibilities is also required if it is to be binding.
- 11.3 For an official to accept responsibility he/she has to receive formal training to execute the responsibilities and duties bestowed upon him/her. Any delegation should include referrals to the various policies/procedures for which execution the delegate is held responsible. Where necessary, post incumbents should receive on the job training to enhance their proficiency.

### **Authority**

- 11.4 Duties and responsibilities cannot be successfully executed without proper authority. The individual, to whom duties and responsibilities have been delegated, must have the mandate to give orders and the authority to enforce obedience within the organizational parameters for proper conduct. The person must therefore be empowered to exercise the rights and to use the discretion assigned to a position.
- 11.5 The following types of authority can be delegated:
- 11.5.1 Executive authority to make defined decisions without referral to higher authority.
  - 11.5.2 Authority to make recommendations.
  - 11.5.3 Authority to agree with a decision before it comes mandatory.
  - 11.5.4 The authority to be informed.
  - 11.5.5 Authority must therefore be clearly defined and delegated in writing. Formal acceptance of the delegated authority is also required if it is to be binding.

## **Accountability**

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

## **Influence of expertise on delegations**

- 11.7 A function or task may only be delegated to a qualified and competent official. Accountability cannot be established if it is known that the person to be delegated to is not competent or qualified to execute the task.
- 11.8 A gradual delegation of responsibilities can be considered as the expertise seated in any decentralized offices increases through experience and training.

## **SECTION 12: PARTICIPATION OF ADVISORS**

- 12.1 The Accounting Officer may procure the services of advisors to assist in execution of the supply chain management function, provided that:
- 12.1.1 The appointment shall only be made through a competitive bidding process.
- 12.1.2 No advisor shall participate in the final decision-making process regarding the award of bids.
- 12.1.3 No decision-making authority shall be delegated to an advisor.

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## **SECTION 13: ROLES AND RESPONSIBILITIES**

### **13.1 SUPPLY CHAIN FOCUS**

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

## **SECTION 14: OVERSIGHT ROLE OF THE BOARD OF DIRECTORS**

14.1 The board of directors shall maintain an oversight over the implementation of supply chain management policy to ensure that it is within the ambit of the applicable legislation.

14.2 The Accounting Officer shall, within 30 days of the end of financial year or whenever there are serious and material problems in the implementation of the supply chain management policy, submit reports on the implementation of the supply chain management to the board of director.

14.3 The Accounting Officer shall within 10 days after the end of each quarter submit a report of implementation of supply chain management policy to the board of directors.

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

## **SECTION 15: ROLE OF THE ACCOUNTING OFFICER (CEO)**

15.1 The Accounting Officer shall:

15.2 Implement a supply chain management policy for the entity.

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

15.4 The Accounting Officer shall prepare and review supply chain management policy and submits to the board of directors of the entity for approval.

15.5 The Accounting Officer shall establish and appoint members to the following bid committees:

15.5.1 A bid specification committee.



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15.5.2 A bid evaluation committee.

15.5.3 A bid adjudication committee.

15.6 The Accounting Officer shall appoint the members of each committee, taking into account:

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

15.6.2 No person may:

15.6.2.1 Interfere with the supply chain management system.

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

15.7 The committee system must be consistent with:

15.7.1 The MFMA.

15.7.2 The Preferential Procurement Policy Framework Act and its Regulations.

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

15.8 The Accounting Officer may apply the committee system to formal written price quotations if he deems it fit.

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

15.10 Approve the amount to be paid by prospective service providers as non-refundable deposit for bid / tender documents issued by the entity.

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## **SECTION 16: ROLE OF THE CHIEF FINANCIAL OFFICER (CFO)**

- 16.1 The Chief Financial Officer shall be the custodian of SCM policy and report progress regarding the implementation of the supply chain management and supply chain management policy to the Accounting Officer who will report to the board of directors.
- 16.2 Responsible for the overall management of the supply chain management unit
- 16.3 Responsible to ensure that the supply chain management policy is adhered to.
- 16.4 Responsible to ensure that all employees involved in the supply chain management process receive the necessary training and support to implement the SCM Policy.
- 16.5 Responsible to determine the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the entity.
- 16.6 Shall approve all applications of service providers for possible inclusion in the register of service providers (service providers' data base).

## **SECTION 17: ROLE OF BID SPECIFICATION COMMITTEES**

### **17.1 COMPOSITION**

- 17.1.1 The bid specification committee shall be composed of:
  - 17.1.1.1 One or more officials from the entity and preferably from user departments requiring goods or services.
  - 17.1.1.2 Supply chain practitioners must be present.
  - 17.1.1.3 May, where appropriate, include external technical specialists.
  - 17.1.1.4 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.

### **17.2 RESPONSIBILITIES**

- 17.2.1 To compile the specifications for each procurement of goods or services by the entity.

### 17.2.2 Specifications –

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

17.2.4 Shall take account of any accepted standards such as those issued by standard South Africa, the international standard organization, or an authorized accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply.

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

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

17.2.4.3 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.

17.2.4.4 Shall indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations of 2001.

17.2.4.5 Shall be approved by the Accounting Officer/his delegate prior to publication of the invitation for bids.

## **SECTION 18: ROLE OF BID EVALUATION COMMITTEE**

### **18.1 COMPOSITION**

18.1.1 The Committee shall so far as it may be possible:

18.1.1.1 Be cross-functional.

18.1.1.2 Be composed of:

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18.1.1.2.1 Officials from the departments requiring the goods or services.

18.1.1.2.2 At least one supply chain management practitioner.

18.1.1.3 Allow for a neutral or independent person to monitor the fairness of the proceedings.

## **18.2 FUNCTIONS AND RESPONSIBILITIES**

18.2.1 The bid evaluation committee shall:

18.2.1.1 Evaluate bids in accordance with:

18.2.1.1.1 The specifications for a specific procurement.

18.2.1.1.2 The preference point system in terms of the Preferential Procurement Policy Framework Act and its regulations.

18.2.1.2 Evaluate each bidder's ability to execute the contract.

18.2.1.3 Check in respect of each bidder whether:

18.2.1.3.1 A valid tax clearance certificate, issued by SARS, has been submitted;

18.2.1.3.2 Municipal rates and taxes and municipal service charges owed by the preferred bidder or any of its directors to the entity or to any other municipality or municipal entity, are not in arrears for more than three months;

18.2.1.3.3 The names of the preferred bidders and their directors / trustees / shareholders are not listed on the Register for Tender Defaulters and the Database of Restricted Suppliers;

18.2.1.3.4 Where bidders claim preference point, a Bidder has submitted, together with their bids, the original and valid B-BBEE Status Level Verification Certificates or certified copies thereof to substantiate their B-BBEE rating claims. Bidders who do not submit B-BBEE Status Level Verification Certificates do not qualify for preference points for B-BBEE but should not be disqualified from the bidding process.

18.2.1.3.5 The evaluation must also confirm the validity of a B-BBEE Status Level Verification Certificate by tracing the name of the issuing Verification Agency to the list of all SANAS accredited agencies.

- 18.2.1.4 The Chief Financial Officer shall ensure that, irrespective of the procurement process followed, no award above R30 000 (vat included) is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order. SARS tax clearance certificate will be sufficient in this regard.
- 18.2.1.5 SARS may be consulted as a secondary measure, if SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 18.2.1.4 be presumed to be in order.
- 18.2.1.6 Verify whether national industrial participation programmer requirements have been complied with, if the contract is in excess of R100 million.
- 18.2.1.7 Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter for consideration.

### **SECTION 19: ROLE OF BID ADJUDICATION COMMITTEE**

#### **19.1 COMPOSITION**

- 19.1.1 The Bid Adjudication Committee must be cross-functional.
- 19.1.2 The Bid Adjudication Committee shall consist of:
- 19.1.2.1 The Chief Financial Officer of the entity who will be the chairperson or if the Chief Financial Officer is not available, another top or senior management official of the entity designated by the Accounting Officer.
- 19.1.2.2 At least four top or senior management (including the CFO) officials of the entity.
- 19.1.2.3 At least one supply chain management practitioner, who is an official of the entity.
- 19.1.2.4 When necessary, a technical expert in the relevant field, who is an official.
- 19.1.3 If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside the meeting.

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

19.1.5 A member of the bid evaluation committee might be asked to present the bid evaluation report but shall not vote in the proceedings.

### **19.2 FUNCTIONS AND RESPONSIBILITIES**

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

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

19.2.3 If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee shall prior to awarding the bid:

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

19.2.3.2 Notify the Accounting Officer.

19.2.4 The Accounting Officer may:

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

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

19.2.5 The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to the committee for reconsideration of the recommendation.

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

19.2.7 Prohibition on awards to persons in the service of the state.

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

19.2.7.1.1 Who is in the service of the state.

19.2.7.1.2 Who has been in the service of state within the last twelve months of the date of an award.

19.2.7.1.3 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.

19.2.8 Awards to close family members of persons in the service of the state without prior disclosure.

19.2.8.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

19.2.8.1.1 The name of that person.

19.2.8.1.2 The capacity in which that person is in the service of the state.

19.2.8.1.3 The amount of the award.

## **SECTION 20: ROLES OF THE DISPOSAL COMMITTEE**

### **20.1 COMPOSITION**

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

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

### **SECTION 21: ETHICS IN THE SUPPLY CHAIN MANAGEMENT**

#### **21.1 COMBATING THE ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM**

21.1.1 In combating the abuse of the supply chain management system, the Accounting Officer shall:

21.1.2 Take all reasonable steps to prevent such abuse.

21.1.3 Investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified:

21.1.3.1 Take appropriate steps against such official or other role player.

21.1.3.2 Report any alleged criminal conduct to the South African Police Service (SAPS).

21.1.4 Reject any bid from a bidder:

21.1.4.1 Who fails to provide written proof from the South African Revenue Services (SARS) that that bidder either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations.

21.1.4.2 Whose municipal rates and taxes or municipal service charges owed to the entity and Mangaung Metropolitan Municipality, or other municipalities, are in arrears.

21.1.4.3 Who during the last five years has failed to perform satisfactorily on a previous contract with the entity or entity after written notice was given to that bidder that performance was unsatisfactory.



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21.1.5 Reject a recommendation for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract.

21.1.6 Cancel a contract awarded to a person if:

21.1.6.1 The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract.

21.1.6.2 An official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person.

21.1.7 Reject the bid of any bidder if that bidder, or any of its directors:

21.1.7.1 Has abused the supply chain management system of the entity or has committed any improper conduct in relation to such system.

21.1.7.2 Has been convicted of fraud or corruption during the past five years.

21.1.7.3 Has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years.

21.1.7.4 Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act No 12 of 2004.

21.2 The Accounting Officer shall inform the Parent Municipality and the Provincial Treasury in writing of any actions taken in terms of the above paragraphs.

## **22 ETHICAL STANDARDS**

22.1 A code of ethical standards shall be established and acknowledged by all role players to comply with paragraph 22.2 for officials and other role players in the supply chain management system in order to promote:

22.1.1 Mutual trust and respect.

22.1.2 An environment where business can be conducted with integrity and in a fair and reasonable manner.

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22.2 The code of ethical standards shall stipulate that an official or other role player involved in the implementation of the supply chain management policy of the entity:

22.2.1 Must treat all providers and potential providers equitably.

22.2.2 May not use his or her position for private gain or to improperly benefit another person.

22.2.3 May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person.

22.2.4 Notwithstanding paragraph 22.2.3, must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person.

22.2.5 Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the entity.

22.2.6 Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest.

22.2.7 Must be scrupulous in his or her use of property belonging to the entity.

22.2.8 Must assist the Accounting Officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system.

22.2.9 Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:

22.2.9.1 Any alleged fraud, corruption, favoritism or unfair conduct.

22.2.9.2 Any alleged contravention in the promise, offer or grant of any reward, gift, favour or hospitality.

22.2.9.3 Any alleged breach of the code of ethical standards.

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22.3 This policy provides that:

22.3.1 All declarations in terms of paragraph 22.2.4 and 22.2.5 shall be recorded in a register, which the Accounting Officer must keep for this purpose.

22.3.2 All declarations by the Accounting Officer shall be made to the mayor and that the mayor must ensure that such declarations are recorded in the register.

22.3.3 Contain measures to ensure that appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.

22.4 The National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management must be taken into account.

22.5 The entity may adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the entity.

22.6 A breach of the code of conduct adopted by the entity must be dealt with in accordance with schedule 2 of the Systems Act.

### **23 REWARDS, GIFTS AND FAVOURS TO THE ENTITY'S OFFICIALS AND OTHER ROLE PLAYERS**

23.1 No person who is a provider of goods or services or prospective provider of goods or services to the entity, or a recipient or prospective recipient of goods disposed, or to be disposed of, by the entity, may either directly or through a representative or intermediary promise, offer or grant any reward, gift, favour or hospitality to:

23.1.1 Any official of the entity.

23.1.2 Any other role player involved in the implementation of the supply chain management policy of the entity.

23.1.3 Any inducement or reward to the entity for or in connection with the award of a contract.

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23.2 The Accounting Officer shall promptly report any alleged contravention of paragraph 23.1 to the Parent Municipality and 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.

23.3 The promise, offer or grant of any reward, gift, favour or hospitality does not apply to gifts less than R350 in value.

### 24 SPONSORSHIPS

24.1 The Accounting Officer shall promptly disclose to the National Treasury and the Provincial Treasury any sponsorship promised, offered or granted to the entity, whether directly or through a representative or intermediary, by any person who is:

24.1.1 A provider of goods or services or prospective provider of goods or services to the entity or entity.

24.1.2 A recipient or prospective recipient of goods disposed, or to be disposed of, by the entity.

### 25 OFFENCES

25.1 The Accounting Officer is guilty of an offence if he/she:

25.1.1 Deliberately or in a grossly negligent way:

25.1.1.1 Contravenes or fails to comply with a provision of sections 94(1), (94(2) or 95 of the Act.

25.1.1.2 Fails to take reasonable steps to implement the entity's supply chain management policy.

25.1.1.3 Fails to take all reasonable steps to prevent unauthorized, irregular or fruitless and wasteful expenditure.

25.1.1.4 Fails to take all reasonable steps to prevent corruptive practices in:

25.1.1.4.1 The management of the entity's assets.

25.1.1.4.2 The implementation of the entity's supply chain management policy.

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25.1.2 Deliberately provides false or misleading information in any document which in terms of a requirement of the Act must be:

25.1.2.1 Submitted to the Auditor-General, the National Treasury or any other organ of state.

25.1.2.2 Made public.

25.2 A senior manager or other official of the entity exercising financial management responsibilities and to whom a power or duty was delegated in terms of Section 106, is guilty of an offence if that senior manager or official deliberately or in a grossly negligent way contravenes or fails to comply with a condition of the delegation.

25.3 False information submitted by tenderer

Upon detecting that a tenderer submitted false information regarding its BBBEE status level of contributor, local production and content, or any other matter required in terms of these Regulations which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the organ of state must-

- inform the tenderer accordingly
- Give the tenderer an opportunity to make representations within 14 days as to why -
  - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part
  - (ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and
  - (iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and

If it is concluded, after considering the representations referred to in sub regulation such false information was submitted by the tenderer

- disqualify the tenderer or
- terminate the contract in whole or in part

If applicable, claim damages from the tenderer or the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalize the tenderer up to 10 percent of the value of the contract.

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As an organ of state Centlec (SOC) Ltd. must inform the National Treasury, in accordance with section 14 of Preferential Procurement Regulation 2017.

## **SECTION 22: RISK MANAGEMENT**

### **22.1 RESPONSIBILITY FOR RISK MANAGEMENT**

22.1.1 Risk management is a key responsibility of the Accounting Officer. Treasury Regulations assign responsibilities for aspects of risk management to the CFO, the internal audit function and the Audit Committee, each of which are accountable to the Accounting Officer for the discharge of their responsibilities.

22.1.2 Risk management is a continuous and proactive process that relates to all organizational activities at all levels. All managers must have a thorough understanding of the risks involved in the activities under their control and actively work towards managing these risks. Each manager has a responsibility toward risk management.

### **22.2 ELEMENTS OF RISK MANAGEMENT**

22.2.1 Assessing the nature and extent of the risks associated with the entity's operations.

22.2.2 Deciding an acceptable level of loss or degree of failure.

22.2.3 Deciding how to manage (minimize) the risk.

22.2.4 Monitoring, reporting and from time to time re-assessing the level and implications of the risk exposure.

### **22.3 APPLICATION OF RISK MANAGEMENT**

22.3.1 Risks must be identified and assessed and are essentially driven by the objectives that must be achieved.

22.3.2 Decisions must be taken with regard to minimizing the entity's exposure to risk, as well as to the potential effects of risks. The focus should be on an approach involving preventing risks from

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materializing, detecting the effects of risks as soon as possible and correcting or recovering from the consequences.

- 22.3.3 Risk management decisions must continuously involve a cost benefit analysis (considerations of economy). The cost of controlling (minimizing) a risk must not exceed the benefits to the Entity. Benefits can include the objective or subjective measurement of the cost to the organization if the particular risk should materialize. (If it is not controlled what is the potential cost to the entity?).
- 22.3.4 The identification, assessment and controlling of risks necessarily implies a specific management process including various stages and steps.
- 22.3.5 The controlling (minimizing) of identified risks essentially refers to the development and implementation of risk management techniques.
- 22.3.6 Risk management entails, inter alia, a management culture that accepts that all business opportunities entail risk taking. The trade-off between success and failure and to decide what is an acceptable risk (having regard to its cost and other social or political factors) that a programmer might not achieve any or all of its objectives.
- 22.3.7 A major component of risk management is the establishment of a fraud prevention plan which aims to manage the risk of fraud through cost-effective use of the control environment, information systems, control procedures and an ethical culture within the Entity.
- 22.3.8 Risk shall be:
- 22.3.9 Identified on a case-by-case basis.
- 22.3.10 Allocated to the party best able to manage such risks.
- 22.3.11 The entity should bear the cost of risks where the costs of transferring risk is greater than that of retaining such risk and transfer to risk where this is not the case.
- 22.3.12 The exercise of risk management in a proactive manner and providing adequately for the cover of residual risks.
- 22.3.13 Contract documentation clearly and unambiguously assigning relative risks to the contracting parties.

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

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

### **22.4 GUARANTEES**

22.4.1 Performance guarantees should be commensurate with the degree of contractual risks to which the entity is exposed.

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

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

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

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

### **22.5 RISK MANAGEMENT SYSTEM**

22.5.1 A supply chain management processes shall provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.



### 22.6 PROJECT MANAGEMENT

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

22.6.2 Integrated control is essential to achieve the desired result.

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

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

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

22.6.6 All real or potential risks must be identified.

### SECTION 23: DEMAND MANAGEMENT

#### 23.1 SYSTEM OF DEMAND MANAGEMENT

23.1.1 The purpose of demand management is to translate the annual performance plans into current and future needs, to cost and budget for it.

23.1.2 The Accounting Officer shall establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to supporting the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs.

23.1.3 The system has eight (8) specific sub-processes:

	Activity	Responsibility
1.	Appointment of other members	Accounting Officer
2.	Assessment of current and future needs	Accounting Officer & Heads of Departments
3.	Assessment of current assets and determine the net requirements	Chief Financial Officer & Heads of Departments
4.	Analysis of past expenditure	Budget Office
5.	Analysis of the supplying industry	SCM Unit
6.	Determine the optimum method to satisfy the needs	SCM Unit

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7.	Determine a sourcing strategy	SCM Unit
8.	Formulate budget inputs	Heads of Departments

### 23.2 CROSS-FUNCTIONAL TEAM

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

23.2.2 Cross-functional activities can be form part of the accounting officer's management meetings.

### 23.3 COMPOSITION OF THE CROSS-FUNCTIONAL TEAM

- Accounting Officer (also the chairperson).
- The Head of the Supply Chain Management Unit.
- Heads of all departments.
- Representative from Human Resources.
- Representative from the Budget Office.
- Any technical expertise as required.

### 23.4 FUNCTIONS AND RESPONSIBILITIES

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

### 23.5 ASSESSMENT OF CURRENT AND FUTURE NEEDS

- The Multi-Year Business Plan (MYBP) shall be analyzed in terms of goods, services and works required over the short and medium term.
- Forecasting techniques could be used to determine the quantity of resources needed.
- The MYBP will also indicate where, when and the frequency of needs required.
- Any critical delivery dates of resources must be noted.

The Chief Financial Officer shall, after consultation with Head of Departments, compile a procurement plan for capital projects in respect of each financial year.

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During consultations between the CFO and Head of Departments, all reasonable efforts shall be made to determine:

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

### **23.6 ASSESSMENT OF CURRENT ASSETS AND DETERMINE NET REQUIREMENTS**

23.6.1 The annual stock take will give details on available stock (including assets).

23.6.2 The accounting records must be used to determine goods in transit.

23.6.3 The following list must be compiled:

23.6.4 List of redundant assets.

23.6.5 List of obsolete assets.

23.6.6 List of assets to be renewed.

23.6.7 With the abovementioned information the supply and demand requirements of each and every commodity and service can be determined to give the net requirements.

23.6.8 The net requirements are in terms of current and future needs to support the Multi-Year Business Plan.

### **23.7 AN ANALYSIS OF PAST EXPENDITURE**

23.7.1 The expenditure in the past shall be analyzed in terms of commodities and services purchased.

23.7.2 The following information must be noted:

23.7.3 Supplier/service provider.

23.7.4 The price.

23.7.5 The location of the supplier/service provider.

23.7.6 Availability of specifications/terms of reference.

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

### **23.8 ANALYSIS OF THE SUPPLYING INDUSTRY**

23.8.1 The supplying industries must be analyzed to determine the following:

23.8.2 Name of the supplier/service provider.

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

23.8.4 The current price and any discounts applicable.

23.8.5 The location of the goods.

23.8.6 The lead and delivery times.

### **23.9 DETERMINE THE OPTIMUM METHODS TO SATISFY NEEDS**

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

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

23.9.3 Determine cost saving levers:

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

23.9.3.2 Quicker and more effective and efficient procurement.

23.9.3.3 Just-in-time principle.

23.9.3.4 Value for money.

23.9.3.5 Term contracts for repetitive requirements.

23.9.3.6 Streamlined procedures and control measures.

23.9.3.7 Establishing trained and competent SCM officials.

23.9.3.8 Effective use of procurement stages.

23.9.3.9 Discount for early payments.

23.9.3.10 The regular management of cash flow.

23.10 Determine the net present value of each project.

23.11 Make use of economies of scale.

23.12 Determine total cost of ownership (TCO).

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

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

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

### **23.13.1 Equity**

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

### **23.13.2 Efficiency**

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

### **23.13.3 Economy**

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

### **23.13.4 Effectiveness**

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

### **23.13.5 Value for money**

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

## **23.14 DETERMINE A SOURCING STRATEGY**

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

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

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

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

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

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- 23.14.6 Non-critical (simple, low risk, low value goods/services).
- 23.14.7 Supportive (simple, low risk, but relatively high value goods/services).
- 23.14.8 Critical (high complexity, high risk, but relatively high value goods/services).
- 23.14.9 Risks can be transferred to providers where possible, by specifying risks to be carried by them and guarantees to be provided in this regard.
- 23.14.10 Strategic sourcing includes a streamlined approval process. The following serves as a guideline:
  - 23.14.11 Increasing the threshold for purchasing manager approval.
  - 23.14.12 Databases of authorized items can be automatically checked, excluding manual approval.
  - 23.14.13 Approval against budgets without top management intervention. This eliminates the need for multiple managers to approve a purchase, which was already planned as part of the budget.
  - 23.14.14 Limiting approvals to the appropriate level of knowledge and/or experience. Thus eliminating multiple approvals.
  - 23.14.15 Streamline sign-off by means of after the facts audits (sampling) to ensure that purchasing guidelines are appropriately followed.

### **23.15 DETERMINING A SELECTION METHOD**

- 23.15.1 The following methods should be used:
  - 23.15.1.1 Available stock.
  - 23.15.1.2 Sourcing from other government institutions.
  - 23.15.1.3 Transversal term contracts.
  - 23.15.1.4 Sourcing from the State Information Technology Agency approved suppliers.
  - 23.15.1.5 Building, engineering or construction works.

### 23.15.1.6 Public Private Partnership

### 23.15.1.7 Quotations.

### 23.15.1.8 Competitive bidding.

### 23.15.1.9 List of redundant/obsolete material/goods from other institutions.

### 23.15.1.10 Negotiations.

## **23.16 GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS**

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

## **23.17 COMPILATION OF SPECIFICATIONS / TERMS OF REFERENCE**

23.17.1 The bid specification committee shall ensure specifications/terms of reference are drafted in an unbiased manner to allow all potential providers to offer their goods and services.

23.17.2 The specification/terms of reference shall indicate each specific goal for which points may be awarded in terms of the Preferential Procurement Policy Framework Act.

23.17.3 All specifications/terms of reference shall be approved by the Accounting Officer /or his delegate prior to publication of the invitation of bids.

23.17.4 Specifications must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply.

23.17.5 Specifications where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.



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23.17.6 Specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.

23.17.7 Specifications may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”.

### **SECTION 24: ACQUISITION MANAGEMENT**

#### **24.1 SYSTEM OF ACQUISITION MANAGEMENT**

24.1.1 The Accounting Officer shall establish, through operational procedures, an effective system of acquisition management in order to ensure:

24.1.2 Goods and services shall only be procured in accordance with authorized processes.

24.1.3 Expenditure on goods and services may only be incurred in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.

24.1.4 Threshold values of different procurement processes shall be complied with.

24.1.5 Bid documentation, evaluation and adjudication criteria, and general conditions of a contract, must be in accordance with applicable requirements, including:

24.1.6 The criteria prescribed in terms of the Preferential Procurement Policy Framework Act.

24.1.7 Any conditions of the Construction Industry Development Board as approved by the National Treasury, in the case of bids relating to construction.

24.1.8 Procurement guidelines issued by the National Treasury, including on the appointment of consultants, must be properly taken into account.

This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act.

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24.1.9 The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system:

- The kind of goods or services;
- The name of the supplier and
- The total rand value of the contract.

### 24.2 COMPILATION OF LIST OF ACCREDITED PROSPECTIVE PROVIDERS

24.2.1 The Accounting Officer through the SCM unit shall keep a list of accredited prospective providers to be used to procure goods and services. This list shall be used effectively to promote the objectives of the Preferential Procurement Regulations. The Accounting Officer shall through local commonly circulated newspapers, website and by any other means possible, invite prospective providers to apply for evaluation and listing as an accredited prospective provider with Centlec (SOC) Ltd. The listing criteria for accredited prospective providers should also be specified. Providers should be allowed to submit applications for listing at any time during the course of a financial year. The new applications shall be accredited by the Chief Financial Officer in terms of the framework to be determined by his/her office. The list should be updated at least quarterly.

24.2.2 When listing the supplier on the database the following should be completed by the prospective supplier:

- Application form including all annexures;
- Attach the following returnable:
  - Valid tax clearance certificate;
  - Valid BEE certificate; (Not compulsory)
  - Certified copies of Identity documents of the Directors of the company;
  - Proof of banking details;
  - Company profile and
  - All the accreditation certificates of the company (where applicable).

The prospective supplier should choose the type of commodities they are supplying or services they are providing. Prospective supplier should choose only four (4) types of goods or services as per list of commodities attached to the appropriate application forms for listing on the database of providers.

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- 24.2.3 Once the list has been compiled per commodity and per type of service, quotations should be invited from such a list. The invitation of quotations from the compiled list of prospective providers per commodity should be done on rotational basis in such a manner that ongoing competition amongst providers is promoted, however ensuring value for money for the entity.
- 24.2.4 Where no suitable providers are available from the list of prospective providers, quotations may be obtained from other possible providers. If it is not possible to obtain quotations as per section 24.4 of this policy, the reasons should be recorded and approved by the Accounting Officer or his/her delegate. When quotations are not obtained from the prospective providers listed on the database of providers, quotations may also be obtained from service providers who are not listed on the database of providers, provided such providers meet the listing criteria as set in 24.2.
- 24.2.5 The prospective provider list should be reviewed annually and invitations for listing as a prospective provider be advertised annually. A provider can be added to the list of prospective providers anytime within the financial year through the approval of the Accounting Officer or his/her delegate.
- 24.2.6 The Chief Financial Officer must prevent the listing of any prospective provider whose name appears on the National Treasury's database as person prohibited from doing business with the public sector.
- 24.2.7 When using the list of accredited prospective providers the Chief Financial Officer shall:
- 24.2.8 Promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis. However value for money be insured.
- 24.2.9 Take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused.
- 24.2.10 On a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.
- 24.2.11 Determine requirements for proper record keeping

### **24.3 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) STATUS LEVEL CERTIFICATES**

- 24.3.1 Bidders are required to, together with their application for listing on the database of providers or bids and all other required documents, submit original and valid BBBEE Status Level Verification Certificates or certified copies thereof to substantiate their B-BBEE rating claims.

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24.3.2 Bidders who do not submit B-BBEE Status Level Verification Certificates do not qualify for preference points for BBBEE but should not be disqualified from the bidding process and / or listing of the database of providers

### 24.3.3 Verification Certificates in respect of Exempted Micro Enterprises (EMEs)

- In terms of this policy, an enterprise with annual total revenue of R5 million or less qualifies as an EME, however, the board acknowledges that where Sector Charters are developed to address the transformation challenges of specific sectors or industries, the threshold for qualification as an EME may be different from the generic threshold of R5 million.
- EMEs are deemed to have a B-BBEE status of “level four (4) contributor”. In instances where EMEs are more than 50% owned by black people, such EMEs qualify as “BBBEE status of ‘level three (3) contributors’”.
- Accounting Officers must ensure that the B-BBEE Status Level Verification Certificates submitted are issued by the following agencies:

#### **For Bidders other than EMEs**

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

#### **For Bidders who qualify as EMEs**

- (a) Accounting officers as contemplated in section 60(4) of the Closed Corporations Act, Act No 69 of 1984 (CCA);
  - (b) Verification Agencies accredited by SANAS; or
  - (c) Registered auditors approved by the IRBA.
- A trust, consortium or joint venture must obtain and submit a consolidated B-BBEE Status Level Verification Certificate for every separate bid.

24.3.4 Public entities and tertiary institutions must also submit B-BBEE Status Level Verification Certificates together with their bids **Verification Agencies accredited by SANAS**

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- As part of the evaluation process, the Evaluation Committee must confirm the validity of a B-BBEE Status Level Verification Certificate by tracing the name of the issuing Verification Agency to the list of all SANAS accredited agencies.
- As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:
  - a) The name and the physical location of the measured entity;
  - b) The registration number and, where applicable, the VAT number of the measured entity;
  - c) The date of issue and date of expiry;
  - d) The certificate number for identification and reference;
  - e) The scorecard that was used (for example EME, QSE or Generic);
  - f) The name and / or logo of the Verification Agency;
  - g) The SANAS logo;
  - h) The certificate must be signed by the authorized person from the Verification Agency; and
  - i) The B-BBEE Status Level of Contribution obtained by the measured entity.

### 24.4 RANGE OF PROCUREMENT PROCESSES

#### 24.4.1 GENERAL

- Goods and services may not deliberately be split into parts or items of a lesser value merely to avoid following the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.
- The procurement of goods and services through this policy is provided by way of:

24.4.1.2.1 One written price quotation for procurements of a transaction value of up to R2 000 (VAT included);

24.4.1.2.2 Three written price quotations for procurements of transaction value over R 2 001 up to R 30 000 (VAT included);

24.4.1.2.3 Formal written quotations for procurement of a transaction value over R30 000 up to R200 000 (VAT included);

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- A competitive bidding process for:

24.4.1..1 Procurements above a transaction value of R 200 000 (VAT included).

24.4.1..2 The procurement of long term contracts (contracts more than 6 months).

- The Accounting Officer may, in writing lower, but not increase, the different threshold values specified above.

### **24.5 WRITTEN QUOTATIONS: UP TO AN ESTIMATED VALUE OF R 2 000 (VAT INCLUDED)**

24.5.1 The Accounting Officer or delegate may procure goods and services to an estimated value of R 2 000 (vat included) by requesting quotations from different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the entity, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy to the extent feasible, providers must be requested to submit such quotations in writing. If it is not possible to **obtain at least one quotation**, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer. The names of the potential suppliers and their quoted prices must be recorded. The purchase order should always be placed against written confirmation from the selected supplier by way of quotation. However, no purchase orders shall be issued for purchases below R 500 (five hundred rand) VAT included,

### **24.6 WRITTEN QUOTATIONS: ESTIMATED VALUE OF R 2001 UP TO R 30 000 (VAT INCLUDED)**

24.6.1 The Accounting Officer / delegate shall invite and accept written price quotations for goods and services from above R 2 001 (vat included) to R 30 000 (vat included) from as many suppliers as possible, that are registered on the Central Supplier Database. If it is not possible to **obtain at least three written quotations**, the reasons must be recorded and approved by the Accounting Officer/Chief Financial Officer.

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

24.6.3 The CFO shall record the names of the potential providers and their quoted prizes.

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24.6.4 When using the list of accredited prospective providers the Accounting Officer must promote on-going competition amongst providers, including by inviting providers to submit quotations on a rotation basis. However value for money shall be insured.

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

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

### **24.7 FORMAL WRITTEN QUOTATIONS: ESTIMATED VALUE OF R 30 001 UP TO R 2 00 000 (VAT INCLUDED)**

24.7.1 The Accounting Officer must apply the prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated regulations for R 30 001 up to R 200 000 (VAT included), however, these prescripts may be applied for procurement with a value of less than R30 000 (vat included) if and when appropriate.

24.7.2 That all requirements in excess of R 30 000 up to R 200 000 (VAT included ) that are to be procured by means of formal written price quotations must be advertised for at least (7) seven days on the website and an official notice board of the entity.

24.7.3 Where quotations have been invited via the official notice boards and website of the entity, no additional quotations need to be obtained and in the event that responses are not obtained from the advertisements due to non-responsive or non-responsible quotations, the reasons must be recorded and approved by the CFO or an employee designated by him or her. In these instances, the CFO may follow the route of direct negotiations.

24.7.4 The formal written quotation mechanism will also be used in the event that goods and services are required from service providers on a panel of service providers to be appointed.

### **24.8 GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS**

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

- Has furnished that provider's:

24.8.1..1 Full name

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24.8.1..2 Identification number or company or other registration number.

24.8.1..3 Tax reference number and VAT registration number, if any.

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

24.8.1..1 Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order. A valid tax clearance certificate is sufficient in this regard.

24.8.1..2 If an accounting officer is in possession of a supplier's original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer's / authority's possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes.

24.8.1..3 SARS can also be consulted as a secondary measure, and if SARS does not respond within 7 days such person's tax matters may be presumed to be in order.

- Has indicated:

24.8.1..1 Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.

24.8.1..2 If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.

24.8.1..3 Whether a spouse, or child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in the subparagraph above is in the service of the state, or has been in the service of the state in the previous twelve months.

24.8.1..4 If the provider is an advisor or consultant contracted with the entity.



### **24.8.1..5 Validity periods**

- 24.8.1..5.1 The period for which bids are to remain valid and binding shall be indicated in the bid documents
- 24.8.1..5.2 The period is calculated from the closing time and bids shall remain in force and binding until the end of the final day of the period
- 24.8.1..5.3 This period of validity may be extended by mutual consent in writing between the
- 24.8.1..5.4 Municipality and the bidder, provided that the original validity period has not expired, and that all bidders shall have an opportunity to extend such period.
- 24.8.1..5.5 In the event that the municipality failed to extend bid validity period before its expiry date, such extension may be requested and granted by the Municipal manager by mutual consent in writing between the Municipality and the bidder, If, in exceptional circumstances, it becomes necessary to extend the bid period, a notice shall be published in the press at least one week prior to the original bid closing date
- 24.8.1..5.6 This notice shall also be posted on the notice boards at designated Municipal offices, and a notice to all bidders of bids received at that stage to this effect shall be issued
- 24.8.1..5.7 In the event that validity period is not indicated in the bid document or advert validity period shall remain 120 days.

24.8.2 Price increase will be in line with the SLA.

### **24.8.3 Price adjustments**

#### **24.8.3.1 Contractual price adjustments**

- 24.8.3.1.1 The contractual conditions shall stipulate the circumstances under which price adjustments shall be considered, the intervals for adjustment, the base date for adjustments as well as the price adjustment formula and the process to be followed in such circumstances.
- 24.8.3.2. In cases of term contracts, price adjustments shall be considered on a quarterly basis and this condition shall be indicated in the bid document.
- 24.8.3.3 No price adjustments should preferably be considered for a contract period less than twelve (12) months.
  - The prescribed formula will be used for adjustment of prices due to the fluctuation of the indices.
  - Indices compiled by Statistics South Africa will be used for price adjustments.
  - Rate of Exchange (ROE) fluctuations are only allowed on the imported content of the commodity.
  - Non-contractual price adjustments

- Non-contractual adjustment of prices is not allowed.
- When contractors suffer a loss as a result of their own negligence, price adjustments not covered by the contract are not favorably considered. However, where a contractor suffers loss as a result of circumstances beyond his control, or as a result of incorrect action by CENTLEC and particularly when such loss might cause his/her downfall, non-contractual price adjustments may be considered by CENTLEC. Such adjustments are to the disadvantage of CENTLEC and the necessary Accounting Authority of delegate approval must be obtained.
- Reduction of prices

24.8.3.4 CENTLEC must accept price reductions after award of a contract where this is advantageous to CENTLEC, unless the acceptance of the price reduction amounts to breach of contract

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

- 24.9.1 Goods or services above a transaction value of R200 000 (VAT included) must be procured through a competitive bidding process, save for the exceptional cases allowable by Treasury which includes services as contemplated in section 110(2) of the Act.
- 24.9.2 No requirement for goods or services above an estimated transaction value of R 200 000 (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.
- 24.9.3 The Accounting Officer shall invite competitive bids for all the procurement per case above the estimated value of R 200 000.00 by means of a public advertisement.
- 24.9.4 A case is regarded as the consolidated requirement of related items (items of a common commodity group, e.g. grouping items of stationery together) that exists at a given point in time. It should cover the total quantities and estimated value (VAT included) of all the items concerned for complete service or supply.
- 24.9.5 The prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated Regulations should be adhered to.

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24.9.6 Any invitation to prospective providers to submit bids must be advertised in National Treasury e-tender portal and on any other appropriate ways

24.9.7 The 80/20 principle must be applied for contracts from R30 000 and to the rand value of up to R 50 million (inclusive of all applicable taxes).

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

### 24.9.8 **Process for competitive bidding**

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

24.9.8.1 The compilation of bid documentation.

24.9.8.2 The public invitation of bids.

24.9.8.3 Site meetings or briefing sessions, if applicable.

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

24.9.8.5 The evaluation of bids.

24.9.8.6 The award of contracts.

24.9.8.7 The administration of contracts.

24.9.8.8 Proper record keeping.

### 24.9.9 **Bid documentation for competitive bids**

- The Accounting Officer shall establish the criteria to which bid documentation for a competitive bidding process must comply.
- The bid documentation shall be in accordance with:

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- 24.9.9..1 At least the general conditions of contract and supply chain management guidelines of National Treasury.
- 24.9.9..2 The requirement of the Construction Industry Development Board as approved by National Treasury in the case of a bid relating to the construction, upgrading or refurbishment of buildings or infrastructure.
- 24.9.9..3 Bid documentation must include evaluation and adjudication criteria, including the criteria prescribed in terms of the PPPFA and its related Regulations.
- 24.9.9..4 Bid documents will be sold at the amount to be determined by the Chief Financial Officer and approved by the Accounting of the entity.
- All bidders are compelled to declare any conflict of interest they may have in a specific bid.
  - If the value of the transaction is expected to exceed R10 million (VAT included) bidders have to furnish:
- 24.9.9..1 Their audited or independently reviewed annual financial statements in terms of the South African Companies Act and its regulations as amended from time to time :
- 24.9.9..1.1 For the past three years, or
- 24.9.9..1.2 Since their establishment if established during the past three years.
- 24.9.9..2 A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal or other service providers in respect of which payment is overdue for more than 30 days.
- 24.9.9..3 Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract.
- 24.9.9..4 A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the entity is expected to be transferred out of the Republic.

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- All bidders are compelled to furnish their tax reference/registration number and identification numbers where applicable.
- Bid disputes are to be settled by means of mutual consultation, mediation (with or without legal representation) or when unsuccessful, in a South African court of law.
- Bids are advertised in at least a commonly circulated newspaper, at least 14 days before closure, except in urgent cases when bids may be advertised for such shorter period as the Accounting Officer may determine.
- Furthermore, the following shall take place:
  - 24.9.9..1 All bids or offers must be submitted in writing on the prescribed bid documentation in a sealed marked envelope and must be deposited by the bidders themselves or their appointed representatives into the designated Bid Box by no later than the date and time stipulated in the bid documents.
  - 24.9.9..2 There shall always be a unique reference number and title or description for each bid advertised, in order to avoid any ambiguity that could result in respect thereof.
  - 24.9.9..3 The closing date and time of each bid invitation shall be chosen carefully or systematically.
  - 24.9.9..4 There shall be suitable and dedicated staff to handle all queries in respect of any bids.
  - 24.9.9..5 All prospective bidders shall be provided with similar bid information, with no bidder having competitive advantage over another.
  - 24.9.9..6 The policies, procedures and protocols published in the bid documentation must always be adhered to. Any subsequent changes thereto must be communicated to all bidders.
  - 24.9.9..7 There must be a formal line of communication to ensure consistency of communication.
  - 24.9.9..8 All communication regarding the bid should preferably be in writing, filed and recorded.
  - 24.9.9..9 Centlec (SOC) Ltd will ensure that the costs of obtaining bid documentation, the availability thereof and bid requirements do not disadvantage potential bidders in any way.

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

24.9.9.11 The Chief Financial Officer in consultation with the senior manager concerned may, if necessary, communicate with bidders and prospective bidders prior to bid closing in order to supply additional information or to clarify vague points in the bid documents.

### **24.9.10 Publication of names of bidders in respect of advertised competitive bids with a transaction value above R 200 000 (all applicable taxes included):**

- Within ten (10) working days after the closure of any advertised competitive bid, the entity must publish on the website the names of all the bidders that submitted bids in relation to that particular advertisement, where practical must also publish the total price and preferences claimed by the respective bidder. The information should remain on the website for at least thirty (30) days.

### **24.9.12 Verification by the Chief Financial Officer prior to advertisement of bids above R10 million**

24.9.11.1 The following information must be submitted by the senior manager responsible for the Vote to the CFO **prior** to the public advertisement of any bids in excess of R10 million (all applicable taxes included):

- a) Proof that budgetary provision exists for procurement of the goods, services and/or infrastructure projects;
- b) Any ancillary budgetary implications related to the bid, for example, if the project is for the acquisition of a municipal asset, does budgetary provision exist for the operation of the asset, maintenance costs relating to the asset, administration costs and rehabilitation/renewal costs;
- c) Any multi-year budgetary implications, for example, if a project will take more than one financial year, the estimated expenditure per financial year.

24.9.11.2 Goods, services and/or infrastructure projects above the value of R10 million (all applicable taxes included) may only be advertised after the CFO has verified in writing that budgetary provision exists for the commencement of the particular project.

24.9.11.3 Requirements may not be deliberately split into parts or items of lesser value merely to avoid the information being submitted.

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## 24.9.11 Public invitation for competitive bids

- Any invitation to prospective providers to submit bids shall be by means of a public advertisement in newspapers commonly circulating locally, the website of the entity and any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).
- The information of a public advertisement will contain the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case.

24.9.11..1 A statement that bids may only be submitted on the bid documentation provided by the entity.

- The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirements, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- When the entity invites a bid that will be evaluated on the basis of functionality as a criterion, the Accounting Officer must clearly specify the following aspects in the bid documents:

(a) *Evaluation criteria for measuring functionality*

E.g. relevant experience for the assignment, the methodology proposed, and the qualifications of the key staff proposes, transfer of knowledge etc.

(b) *Weight of each criterion*

E.g. Relevant Experience = 60%, Methodology Proposed = 30%, etc. The sum total of the weight that is allocated to all criteria should not be greater than 100%.

Weights should be determined separately for each bid on its own merit basis.

(c) *Applicable values*

The applicable values that will be utilized when scoring each criterion should be objective.

The following the following value system will be used in evaluation of functionality for all bids:

VALUE	RATING
1	Poor

2	Average
3	Good
4	Very Good
5	Excellent

(d) *Minimum qualifying score for functionality.*

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

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

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

$Ps = So/Ms \times 100$  where:

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

So = total score of bid/proposal under consideration

Ms = maximum possible score

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

**24.9.12 Where it is impracticable to obtain minimum number of quotations due to the nature of transaction:**

**24.9.13.1 Exemption from normal procurement process of obtaining minimum of three (3) price written quotations:**

The following procurement of goods, services or works shall be exempted from following normal procurement process of obtaining minimum of three (3) written price quotations, irrespective of the monetary value and the inclusion of service providers on the supply chain management accredited



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list of service providers. For all below listed items, the exemption the Accounting Officer authorizes the sourcing of one quotation:

- Newspaper Advertisement;
- Stamp and Postage;
- Courier Services;
- Groceries;
- Annual Subscriptions and Membership;
- Annual Registrations;
- Registration and Licensing;
- General Repairs and Maintenance of agent products;
- Venues and Accommodation Bookings;
- Transportation;
- Medical Products and Services;
- Repairs for certificate of Roadworthy. Scheduled Fleet Maintenance or Services;
- Dinning and Restaurant;
- Emergency Breakdowns;
- Stripe and Quote
- Fuel or Petrol;
- Legal Services and
- Legislation Updates.
- Traffic books / documents.
- Conferences, delegations and Training.
- Medical examinations.
- Plants and flowers.
- . Burial services.
- Firearm training

### **24.10 TWO-STAGE BIDDING PROCESS**

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

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## **24.11 PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS**

24.11.1 The procurement section of Centlec (SOC) Ltd will be responsible for the receipt and opening of all bids.

24.11.2 The following procedures shall be followed:

24.11.3 Bids may be opened only in public. (except when members of the public are not present at the time of opening the bid box)

24.11.4 A bid box must be opened immediately after each bid has closed by at least one supply chain official of Centlec (SOC) Ltd and at least one member of the Bid Committee of Centlec (SOC) Ltd.

24.11.5 Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price. If the bid consist of more than one item, the official may at his discretion, decide on whether or not all of the items should be read out.

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

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

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

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

24.11.10 The bid register shall be locked in a safe place for subsequent bid evaluations.

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

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

24.11.13 Bids received after the closing time shall not be considered and will be returned unopened immediately.

24.11.14 Bids results shall be displayed on official notice boards and the entity's website and shall include the following:

- Contract numbers and descriptions;
- Names of the successful bidder(s) and preferences claimed;
- The contract price(s); and
- Brand names and dates for completion of contracts (if possible).

24.11.15 Make the register available for public inspection.

24.11.16 Publish the entries in the register and the bid results on the website.

### **24.12 NEGOTIATIONS WITH PREFERRED BIDDERS**

24.12.1 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:

24.12.2 Does not allow any preferred bidder a second or unfair opportunity.

24.12.3 Is not to the detriment of other bidders.

24.12.4 Does not lead to a higher price than the bid as submitted.

24.12.5 Minutes of such negotiations must be kept for record purposes.

### **24.13 EVALUATION AND AWARDING OF BIDS**

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

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

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

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

24.13.3 The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids should be prohibited as this will jeopardize the fairness of the Supply Chain Management system of the entity.

24.13.4 The 80/20 preference points system shall be used in evaluation of bids ( including price quotations) with the rand value equal to or above R 30 000 (VAT and all other applicable taxes included) up to the rand value of R 50 million ( VAT and other applicable taxes included) using the following formula:

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

, Where:

- $P_s$  = Points scored for comparative price of bid/offer under consideration
- $P_t$  = Comparative price of bid/offer under consideration
- $P_{\min}$  = Comparative price of lowest acceptable bid/offer

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

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

, Where:

- $P_s$  = Points scored for comparative price of bid/offer under consideration
- $P_t$  = Comparative price of bid/offer under consideration
- $P_{\min}$  = Comparative price of lowest acceptable bid/offer

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

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<b>B-BBEE Status Level Contributor</b>	<b>Number of points for 80/20 system</b>	<b>Number of points for 90/10 system</b>
1	20	10
2	18	9
3	14	6
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non-compliant contributor	0	0

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

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

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

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

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

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

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

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

24.13.14 Tenders evaluated on functionality

- It must be stated in the tender documents if the tender will be evaluated on functionality.
- The evaluation criteria for measuring functionality must be objective
- The tender documents must specify-
  - a) the evaluation criteria for measuring functionality;
  - b) the points for each criteria and, if any, each sub-criterion; and
  - c) the minimum qualifying score for functionality
- The minimum qualifying score for functionality for a tender to be considered further-
  - a) must be determined separately for each tender; and
  - b) may not be so-
    - i) low that it may jeopardise the quality of the required goods or services; or
    - ii) low that it may jeopardise the quality of the required goods or services; or
    - iii) high that it is unreasonably restrictive
- Points scored for functionality must be rounded off to the nearest two decimal places.
- A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11.

24.13.15 Award of contracts to tenderers not scoring highest points

- A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).
- If it is decided to apply objective criteria in terms of section 2(1)(f) of the the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), the objective criteria must be stated in the tender documents.

24.13.16 Pre-qualification criteria for preferential procurement

If it is decides to apply pre-qualifying criteria to advance certain designated groups, Centlec (SOC) Ltd. will advertise the tender with a specific tendering conditions that only one or more of the following tenderers may respond-

- a tenderer having a stipulated minimum B-BBEE status level of contributor;
- an EME or QSE
- a tenderer subcontracting a minimum of 30% to-
  - 1) an EME or QSE which is at least 51% owned by black people;
  - 2) an EME or QSE which is at least 51% owned by black people who are youth;
  - 3) an EME or QSE which is at least 51% owned by black people who are women;
  - 4) an EME or QSE which is at least 51% owned by black people with disabilities;
  - 5) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
  - 6) a cooperative which is at least 51% owned by black people;
  - 7) an EME or QSE which is at least 51% owned by black people who are military veterans;
  - 8) an EME or QSE.

A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.<sup>1</sup>

### **24.14 LOCAL PRODUCTION CONTENT**

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

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

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

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

- Bids must be evaluated in terms of the evaluation criteria stipulated in the bid documents. The amendment of the stipulated minimum threshold for local production and content after the closure of bids is not be allowed as this will jeopardize the fairness of the system.
- A bid is regarded as acceptable if it achieves the stipulated minimum threshold for local production and content.
- Bids that fail to achieve the stipulated minimum threshold for local production and content must be disqualified

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

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

#### **24.15 VERIFICATION FROM THE CHIEF FINANCIAL OFFICER PRIOR TO THE AWARD OF CONTRACTS ABOVE THE VALUE OF R10 MILLION**

24.15.1 Contracts above the value of R10 million (all applicable taxes included) may only be awarded to the preferred bidder after the Chief Financial Officer has verified in writing that budgetary provision exists for the acquisition of the goods, infrastructure projects and/or services and that it is consistent with the Multi-Year Business Plan.

#### **24.16 CONFIRMATION OF BIDDING PROCESS FOR BIDS IN EXCESS OF R10 MILLION (ALL APPLICABLE TAXES INCLUDED)**

24.16.1 During competitive bidding and adjudication processes or before the award of a contract, the Accounting Officer may, at his or her discretion, specifically request the Internal Audit function to carry out audit procedures and provide an opinion on compliance of the bidding process with the Municipal Supply Chain Management Regulations. Internal Audit may issue a certificate to the effect that all



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prescribed requirements have been adhered to before the contract is awarded based on the procedures performed.

24.16.2 Where bids involve Internal Audit service, the audit of the bidding process may be outsourced to an independent external service provider or internal audit function of another organ of state, subject to the oversight of the audit committee.

24.16.3 The Accounting Officer may, at his or her discretion, decide to have a specific contract audited by external service providers prior to the award of the contract.

### **24.17 PLACING OF ORDERS FOR PAYMENT IN ANOTHER FINANCIAL YEAR**

24.17.1 The entity is prohibited from deliberately placing orders for goods, services and/or infrastructure projects from suppliers, receiving such goods, services and/or infrastructure projects and arranging with suppliers for such goods, services and/or infrastructure projects to be invoiced and paid for in another financial year.

24.17.2 The prohibition above does not apply to multi-year contracts and projects adopted over multi-years in terms of MFMA sections 19 and 33.

### **24.18 PAYMENTS WITHIN 30 DAYS**

24.18.1 Treasury Regulation 8.2.3 provides that “Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.

24.18.2 The prescribed period referred to in section 99 (2)b of the MFMA requires that all money owing by the entity is paid within 30 days of receiving the relevant invoice or statement unless prescribed otherwise for certain categories of expenditure;

### **24.19 SUB-CONTRACTING**

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

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

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

24.19.4 A bidder awarded a contract may only enter into a subcontracting arrangement with the approval of Centlec (SOC) Ltd.

**24.19.5 Subcontracting as condition of tender for contract amount above R30 million**

(1) If it is feasible to subcontract a contract above R30 million, Centlec (SOC) Ltd must apply subcontracting to advance designated groups as required by the PPPF Act 2000: preferential procurement regulations, 2017

(2) If Centlec (SOC) Ltd applies subcontracting as contemplated in sub regulation (1) Centlec (SOC) Ltd must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-

- a) an EME or QSE;
- b) an EME or QSE which is at least 51% owned by black people
- c) an EME or QSE which is at least 51% owned by black people who are youth
- d) an EME or QSE which is at least 51% owned by black people who are women
- e) an EME or QSE which is at least 51% owned by black people with disabilities
- f) an EME or QSE which is 51% owned by black people living in rural or under developed areas or townships
- g) a cooperative which is at least 51% owned by black people
- h) an EME or QSE which is at least 51% owned by black people who are military veterans or
- i) more than one of the categories referred to in paragraphs (a) to (h)

(3) Centlec (SOC) Ltd must make available the list of all suppliers registered on a database approved by the National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in sub regulation (2) from which the tenderer must select a supplier.

**24.20 APPROVAL OF BIDS NOT RECOMMENDED**

24.20.1 If a bid other than the one recommended in the normal course of implementing the supply chain management policy is approved, the reasons for such a decision must be approved and recorded and must be defensible in a court of law.

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24.20.2 The Accounting Officer must further notify the Auditor-General, the Provincial Treasury and the National Treasury, in writing of the reasons for approval of any bid not recommended.

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

### **24.21 UNSOLICITED BIDS**

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

24.21.2 The product or service offered in terms of the bids is a unique innovative concept that will be exceptionally beneficial to or have exceptional cost advantages for the entity.

24.21.3 The person who made the bid is the sole provider of the product or service.

24.21.4 The reasons for not going through the normal biddings processes are found to be sound by the Accounting Officer.

24.21.5 The need for the product or service by the entity has been established during its annual performance planning and budgeting process.

24.21.6 If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph 24.17.1 above, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with:

24.21.7 Reasons as to why the bid should not be open to other competitors.

24.21.8 An explanation of the potential benefits if the unsolicited bid were accepted.

24.21.9 An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

24.21.10 All written comments received pursuant to the subparagraph above, including any responses from the unsolicited bidder, must be submitted to Mangaung Metro Municipality and the National Treasury for comment.

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24.21.11 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.

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

24.21.13 When considering the matter, the adjudication committee must take into account:

- Any comments submitted by the public.
- Any written comments and recommendations of the National Treasury or the provincial treasury.

24.21.14 If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor-General, the provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

24.21.15 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 entity to the bid may be entered into or signed within 30 days of the submission.

### **24.22 CANCELLATION OF BIDS / TENDERS**

24.22.1 All formal written quotations solicited above the R30 000 (VAT included) threshold, must be processed in accordance with the Preferential Procurement Policy Framework Act 5 of 2000 and offers received must be evaluated on a comparative basis, taking into account unconditional discounts and the applicable 80/20 preference points.

24.22.2 In the application of the 90/10 preference point system, if **ALL** bids received are equal to or below R50 million, the bid must be cancelled, however, if one or more of the acceptable bid(s) received are above the R 50 million threshold, all bids received must be evaluated on the 90/10 preference point system.

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

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

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

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- Funds are no longer available to cover the total envisaged expenditure.
- No acceptable bids are received.
- If there is a material irregularity in the tender process

If all bids received are rejected, the entity must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

The decision to cancel a tender invitation must be published in the same manner in which the original tender invitation was advertised.

Centlec (SOC) Ltd may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.

### **24.23 NATIONAL INDUSTRIAL PARTICIPATION PROGRAMME**

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

### **24.24 SERVICES RENDERED BY TERTIARY INSTITUTIONS AND PUBLIC ENTITIES**

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

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

### **24.25 PROCUREMENT OF IT RELATED GOODS AND SERVICES**

24.25.1 Accounting Officer may seek specialized advice from SITA in acquisition of it related goods and services.

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

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

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

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

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

24.25.7 If SITA comments on the submission and the entity disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the board, the council of Mangaung Metro Entity and the Auditor-General.

### **24.26 PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE**

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

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

24.26.3 That other organ of state and the provider have consented to such procurement in writing.

24.26.4 There is no reason to believe that such contract was not validly procured.

24.26.5 There are demonstrable discounts or benefits to do so.

### **25.1 APPOINTMENT OF CONSULTANTS**

25.1.1 The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

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25.1.2 Consultancy services shall be procured through competitive bids if:

25.1.3 The value of the contract exceeds R 200 000.00 (VAT included).

25.1.4 The duration period of the contract exceeds one year.

25.1.5 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:

25.1.6 All consultancy services provided to an organ of state in the last five years.

25.1.7 Any similar consultancy services provided to an organ of state in the last five years.

25.1.8 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 entity.

25.1.9 The Accounting Officer may appoint the Panel of Consultants to assist the Entity to evaluate the bids for the appointment of the Consultants in the case whereby the entity does not have necessary capacity for appointment of such consultant.

### **25.2 DEVIATION FROM OFFICIAL PROCUREMENT PROCESSES**

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

25.2.1.1 In an emergency.

25.2.1.2 If such goods and services are produced or available from a single provider only.

25.2.1.3 For the acquisition of special works of art or historical objectives where specifications are difficult to compile.

25.2.1.4 Acquisition of animals for zoos and/or nature and game reserves.

25.2.1.5 In any other exceptional case where it is impractical to follow the official procurement processes.

25.2.2 In cases where quotations were not submitted in time by the potential service provider(s), but only when there is documented proof that the potential service provider(s) was invited to provide the quotation and was given a clear timeframe in which to respond.

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25.2.3 The Accounting Officer must record the reasons for such deviation and report them to the next meeting of the board of directors and include as a note to the annual financial statements.

25.2.4 The above does not apply to the procurement of goods and services in respect of the following:

25.2.4.1 If the entity contracts with another organ of state for the provision of goods or services to the entity.

25.2.4.2 The provision of a municipal service or assistance in the provision of a municipal service.

25.2.4.3 The procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.

25.2.5 The Accounting Officer may ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

### **25.3 MANAGEMENT OF EXPANSION OR VARIATION OF ORDERS AGAINST THE ORIGINAL CONTRACT**

25.3.1 It is recognized that, in exceptional cases, an Accounting Officer may deem it necessary to expand or vary orders against the original contract.

25.3.2 contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract

25.3.3 Furthermore, anything beyond the abovementioned thresholds must be reported to the board of directors.

25.3.4 Any expansion or variation in excess of these thresholds will be regarded as an amendment to the contract, and must be dealt with in terms of the provisions of section 116(3) of the MFMA as follows:

- a) the reasons for the proposed amendment have been tabled to the board of directors and in the council of the parent municipality; and
- b) the local community-
  - (i) must be given reasonable notice of the intention to amend the contractor agreement; and
  - (ii) must be invited to submit representations to the entity.



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- 25.3.5 The provisions of the above paragraph are not applicable to transversal term contracts, facilitated by the provincial or national treasury on behalf of the entity and other term contracts where orders are placed as and when commodities are required since that at the time of awarding contracts, the required quantities were unknown.

### **25.4 CANCELLATION OF ORDERS**

- 25.4.1 All orders that have been issued are valid only for 90 days, should the issued order exceed 90 days while the goods or service has not being delivered or rendered such order should be cancelled providing the reasons on order cancellation form. All the supporting documents should be filed after approval of cancellation of order by Manager: Supply Chain Management.
- 25.4.2 All orders that are issued should be stamped "90 days delivery, if not delivered order will be cancelled".
- 25.4.3 When order is cancelled it should be recorded on order cancellation book and also be cancelled on the system.

### **25.5 URGENT PROCUREMENT**

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

### **25.6 EMERGENCY PROCUREMENT**

- 25.6.1 Irrespective of monetary value, an emergency procurement process will only apply in serious, unexpected and potentially dangerous circumstances which require immediate rectification:
- 25.6.2 In the event of a threat or interruption in the entity's ability to execute its mandate.
- 25.6.3 In the event of an immediate threat to the environment or human safety.

### **25.7 CONTRACTS AND CONTRACT MANAGEMENT**

- 25.7.1 A contract or agreement procured through the supply chain management system of an entity shall:
- 25.7.1.1 Be in writing.

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25.7.1.2 Stipulate the terms and conditions of the contract or agreement, which must include provisions providing for:

- i. The termination of the contract or agreement in the case of non- or underperformance.
- ii. Dispute resolution mechanisms to settle disputes between the parties.
- iii. Any other matters that may be prescribed.

25.7.2 The Accounting Officer shall:

25.7.2.1 Take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the entity is properly enforced.

25.7.3 Monitor on a monthly basis the performance of the contractor under the contract or agreement.

25.7.4 Establish capacity in the administration of the entity:

25.7.4.1 To assist the Accounting Officer in carrying out the duties set out in the above sub-paragraphs.

25.7.4.2 To oversee the day-to-day management of the contract or agreement.

25.7.5 Regularly report to the board on the management of the contract or agreement and the performance of the contractor.

25.7.6 A contract or agreement procured through the supply chain management policy of the entity may be amended by the parties, but only after:

25.7.7 The reasons for the proposed amendment have been tabled in the board.

25.7.8 The local community:

25.7.8.1 Has been given reasonable notice of the intention to amend the contract or agreement.

25.7.8.2 Has been invited to submit representations to the entity.

25.7.9 Custom Contracts (Specialized Services):

**25.7.9.1** These are unique, custom design programs or equipment's designed specifically to assist the entity with daily activities of service delivery and managing the internal processes. This may include but not limited to equipment, custom IT infrastructure networks, plants, custom designed software's etc. that are used on recurring basis. For these types of contracts, expansion or extension of the contract beyond its initial termination date should be done in line with section 116(3) of MFMA, however in order for the procedures to remain compliant with the provisions of this section, all due processes should unfold timeously and prior to the actual termination date of the contract.

### **25.8 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

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

25.8.1.1 The Accounting Officer, at least 60 days before the meeting of the board at which the contract is to be approved:

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

25.8.1.1.1.1 Made public the draft contract and an information statement summarizing the entity's obligation in terms of the proposed contract.

25.8.1.1.1.2 Invited the local community and other interested persons to submit to the entity comments or representations in respect of the proposed contract.

25.8.1.1.2 Has solicited the views and recommendations of:

25.8.1.1.2.1 Mangaung Metro Municipality;

25.8.1.1.2.2 The National Treasury and the Provincial Treasury.

25.8.1.1.2.3 The national department responsible for local government.

25.8.1.1.2.4 The national department, responsible for the provision of electricity, or any other service as may be prescribed.

25.8.1.2 The board has taken into account:

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- 25.8.1.2.1 The entity's projected financial obligations in terms of the proposed contract for each financial year covered by the contract.
- 25.8.1.2.2 The impact of those financial obligations on the entity's future municipal tariffs and revenue.
- 25.8.1.2.3 Any comments or representations on the proposed contract received from the local community and other interested persons.
- 25.8.1.2.4 Any written views and recommendations on the proposed contract by the National Treasury, the Provincial Treasury, the national department responsible for local government and any national department referred to in sub-paragraph 24.28.1.1.2
- 25.8.1.3 The board has adopted a resolution in which:
  - 25.8.1.3.1 It determines that the entity will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract.
  - 25.8.1.3.2 It approves the entire contract exactly as it is to be executed.
  - 25.8.1.3.3 It authorizes the Accounting Officer to sign the contract on behalf of the entity.
- 25.8.2 All contracts referred to in the paragraph above and all other contracts that impose a financial obligation on the entity:
  - 25.8.2.1 Must be made available in their entirety to the board.
  - 25.8.2.2 May not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No 2 of 2000).

### **25.9 CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER**

- 25.9.1 If a service provider acts on behalf of the entity to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider or the amount collected, the contract between the services and the entity must stipulate:
  - 25.9.1.1 A cap on the compensation payable to the service provider.

25.9.1.2 That such compensation must be performance based.

### **25.10 OBJECTIONS AND COMPLAINTS**

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

### **25.11 RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES**

25.11.1 The Accounting Officer shall appoint an independent and impartial person, not directly involved in the supply chain management processes:

25.11.1.1 To assist in the resolution of disputes between the entity and other persons regarding:

25.11.1.1.1 Any decisions or actions taken in the implementation of the supply chain management system.

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

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

25.11.2 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.

25.11.3 The person appointed shall:

25.11.3.1 Strive to resolve promptly all disputes, objections, complaints or queries received.

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

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

25.11.4.1 The dispute, objection, complaint or query is not resolved within 60 days.

25.11.4.2 No response is forthcoming within 60 days.

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25.11.5 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.

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

### **24.32 PROCUREMENT OF BANKING SERVICES**

**24.32.1** Banking services shall be procured through competitive bidding process, must be consistent with section 7 of the MFMA and may not be for a period of more than five years at a time.

**24.32.2** The process for procuring a contract for banking services shall commence at least nine months before the end of an existing contract.

**24.32.3** The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990).

#### **24.33 PROCUREMENT OF BANKING SERVICES:**

24.33.1 Banking services in relation to investments of funds shall be in accordance with the Banking and Investment Policy as approved from time to time.

### **24.34 PROHIBITION OF RESTRICTIVE PRACTICES**

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

- a) it has the effect of substantially preventing, or lessening, competition in a market, unless a party to the agreement, concerted practice, or decision can prove that any technological, efficiency or other precompetitive gain resulting from it outweighs that effect; or
- b) it involves any of the following restrictive horizontal practices:
  - i. directly or indirectly fixing a purchase or selling price or any other trading condition;
  - ii. dividing markets by allocating customers, suppliers, territories, or specific types of goods or services; or
  - iii. collusive tendering.

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**24.34.2** An agreement to engage in a restrictive horizontal practice referred to in subsection 24.17.1 shall be presumed to exist between two or more firms if:

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

**24.34.3** For purposes of subsections 24.34.2 above “director” means:

- a) a director (or member) of a company as defined in the Companies Act, 2008 (Act No. 71 of 2008);
- b) a trustee of a trust; or a person holding an equivalent position in a firm.

**24.34.4** The provisions of section 24.34.3 above do not apply to an agreement between, or concerted practice engaged in by:

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

### **24.35 MEASURES TO PROHIBIT RESTRICTIVE PRACTICES**

#### **24.35.1 Certificate of Independent Bid Determination**

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

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

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

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

### **24.35.2 Verifying the names and the identity numbers of directors / trustees / shareholders of companies, enterprises, closed corporations and trusts against the relevant staff structure:**

24.35.2.1 The Accounting Officer shall utilize the MBD 4 form in the procurement above R 30 000 (all taxes included) to verify the identity numbers of the directors / trustees / shareholders of the preferred bidder(s) against the institution's staff establishment in order to determine whether or not any of the directors / trustees / shareholders are in the service of the state or employed by the specific institution.

24.35.2.2 The Accounting Officer shall also utilize the format of MBD 4 form in the suppliers application form for inclusion in the supplier database of the entity to verify the identity numbers of the directors / trustees / shareholders of the prospective supplier / service provider against the institution's staff establishment in order to determine whether or not any of the directors / trustees / shareholders are in the service of the state or employed by the specific institution before accrediting such supplier / service provider.

## **SECTION 25: LOGISTICS MANAGEMENT**

### **25.1 Contract Management**

25.1.1 The Accounting Officer shall take all reasonable steps to ensure that a contract or agreement procured through the SCM policy of Centlec (SOC) Ltd is properly enforced.

25.1.2 Both the user department and the SCM unit have a responsibility towards managing a contract.

25.1.3 The nature of the responsibility will determine who manages the specific contractual aspect.

### **25.2 Contract monitoring**

25.2.1 The Accounting Officer shall monitor on a monthly basis the performance of the contractor under the contract or agreement.



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25.2.2 The Accounting Officer shall regularly report to the board on the management of the contract or agreement and the performance of the contractor.

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

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

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

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

### **25.3 Trademark/Brand Name**

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

### **25.4 Non-Contractual Purchases**

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

25.4.1.1 In cases of emergency; or

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

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

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

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25.4.3 Acquisitioning procedures must in all instances be followed when procuring outside of existing contracts.

### **25.5 Over-/Under Deliveries**

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

### **25.6 Unsatisfactory Performance**

25.6.1 The Accounting Officer shall continuously communicate unsatisfactory performance to contractors in writing compelling the contractor to perform according to the contract and thus to rectify or to restrain from unacceptable actions.

### **25.7 Late Deliveries**

25.7.1 The GCC states that delivery of supplies shall be made in accordance with the conditions specified in the contract.

25.7.2 Before action due to late delivery is instituted against a contractor who has offered a firm delivery period, the circumstances under which the late delivery took place must be investigated. There may be valid reasons for the late delivery, which are beyond the control of the contractor, in which case action cannot be taken summarily against the contractor.

25.7.3 On the other hand, contractors must be allowed to delay deliveries repeatedly even where non-firm delivery periods have been offered. Wherever possible, firm delivery periods must be insisted upon before a bid is accepted, as well as when the issue of late deliveries crops up during the period of a contract.

## **SECTION 26: DISPOSAL MANAGEMENT**

### **26.1 SYSTEM OF DISPOSAL MANAGEMENT**

MFMA Section 90 Disposal of capital assets states the following

— (1) A municipal entity may not transfer ownership as a result of a sale or other transaction or otherwise dispose of a capital asset needed to provide the minimum level of basic municipal services.

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(2) A municipal entity may transfer ownership or otherwise dispose of a capital asset other than an asset contemplated in subsection (1), but only after the council of its parent municipality, in a meeting open to the public—

(a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and

(b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset

(3) A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal services may not be reversed by the municipality or municipal entity after that asset has been sold, transferred or otherwise disposed of.

(4) A municipal council may delegate to the accounting officer of a municipal entity its power to make the determinations referred to in subsection (2) (a) and (b) in respect of movable capital assets of the entity below a value determined by the council.

(5) Any transfer of ownership of a capital asset in terms of subsection (2) or (4) must be fair, equitable, transparent and competitive and consistent with the supply chain management policy which the municipal entity must have and maintain in terms of section 111.

(6) This section does not apply to the transfer of a capital asset to a municipality or another municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by

26.1.1 The disposal management procedure manual shall provide for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets, subject to section 90 of the MFMA.

26.1.2 Disposal is managed by the following two (2) sub-processes:

26.1.2.1 Disposal planning.

26.1.2.2 Determining methods of disposal.

## **26.2 DISPOSAL PLANNING**

### **26.2.1 Obsolescence Planning**

26.2.1.1 Action to eliminate the obsolete item need only be taken when the stock level threatens the availability of the equipment.

26.2.1.2 For the period leading up to upgrades, in-service equipment will be managed to only maintain current capability and availability.

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26.2.1.3 Anticipating and solving obsolescence problems is considerably cheaper than waiting until later when major equipment redesign is called for and equipment availability is threatened. Requiring higher shorter-term costs, a policy of spend to save needs therefore to be adopted.

26.2.1.4 A proactive approach to the identification of potential obsolescence risks is necessary. Once identified, each obsolescence risk needs to be assessed to determine its criticality.

26.2.1.5 What is crucial to the assessment of obsolescence risk is not the time at which a unit or component goes obsolete, but when as a result of the obsolescence, equipment availability will be threatened, the factors are:

### 26.2.1.5.1 Criticality point

This is the point in time at which availability of the equipment is threatened by lack of parts and/or spares.

### 26.2.1.5.2 Cost impact

This is determined by the expected costs that would be incurred to solve the problem if no action is taken until the time of occurrence of the obsolescence.

### 26.2.1.5.3 Prioritization

Priorities all current obsolescence risk by order of the point of criticality and in order of cost. The most critical will then need to be considered further for resolution of the specific problems.

26.2.1.6 For each obsolescence risk, it needs to be decided what technology option is to be adopted, the support which is to be provided, the contracting arrangements needed, the maintenance policy which is implied and the identification of any consequential risks.

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

## 26.3 RENEWAL PLANNING

26.3.1 The asset renewal-planning phase involves the assessment of existing assets and planned acquisitions against Multi-Year Business plan requirements.

26.3.2 Proposals for new assets must be justified by a thorough evaluation of all business plan options.

26.3.3 The entity should develop business plan strategies which:

26.3.3.1 Define the scope, standard and level of Programme services to be delivered.

26.3.3.2 Assess the methods of delivering these services.

26.3.3.3 Determine, where appropriate, methods of containing the demand for the services.

26.3.3.4 Identify the resources including assets, required to deliver the services. Service options need to be evaluated on financial, economic, social and environmental grounds.

26.3.4 The evaluation of existing assets determines whether their performance is adequate to support the selected service delivery strategy. This process presupposes that appropriate condition and performance standards are set for assets. Asset performance is to be reviewed regularly against best practice benchmarks to identify assets that are under-performing, or costly to own or operate.

26.3.5 The evaluation should reveal assets that provide more than their required capacity, or are surplus to requirements. Assets that have been inadequately maintained may pose potential safety or health risks, disrupt essential services, or incur unforeseen expenditure for the correction of defects. Replacement may be a possible option in this case.

26.3.6 All assets currently being used to deliver the service under consideration need to be identified and registered. How effectively these assets support service requirements also have to be determined. As part of this process, assets should be evaluated in terms of their:

26.3.6.1 Physical condition

Is the asset adequately maintained?

Are major replacements or refurbishments likely to be required during the planning period?

### 26.3.6.2 Functionality

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

### 26.3.6.3 Utilization

How intensively is the asset used?

Could it be used more productively or accommodating additional functions?

### 26.3.6.4 Financial performance

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

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

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

## 26.4 UNSERVICEABLE / OBSOLETE / REDUNDANT ITEMS

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

26.4.1.1 Check the quantity and condition of inventory items to establish whether it is considered to be in a reasonable state of serviceability.

26.4.1.2 Check for items that have been issued and are not being used.

26.4.1.3 Check whether issued items are being used for the purpose intended.

26.4.1.4 Check for unserviceable, repairable, obsolete or redundant items.

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

26.4.2.1 Unserviceable items.

26.4.2.2 Obsolete items.

26.4.2.3 Redundant items.

### **26.5 DISPOSAL STRATEGY**

26.5.1 Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives should be evaluated in cost-benefit terms.

26.5.2 A disposal strategy establishes the rationale for the anticipated time and method of and the expected proceeds on disposal. The strategy is reviewed and refined, if necessary, prior to disposal, to take account of the market and physical condition of the assets.

26.5.3 Under-utilized and under-performing assets are identified as part of a regular, systematic review process.

26.5.4 The reasons for underutilization or poor performance are critically examined and corrective action taken to remedy the situation or a disposal decision is made.

26.5.5 Analysis of disposal methods has regard to potential market values or other intrinsic values such as the location and volume of assets to be disposed of, the ability to support other programs, environmental implications and regular evaluation of disposal performance.

26.5.6 Effective management of the disposal process will minimize holdings of surplus and under-performing assets and will maximize the return of such assets.

### **26.6 THE DISPOSAL DECISION**

26.6.1 The disposal decision cannot be taken in isolation. Asset disposal decisions are to be made within an integrated, service and financial planning framework. While disposal is viewed as the final stage in asset management it is common for disposal action to trigger the acquisition of a new asset or a replacement asset.

26.6.2 The asset register is a starting point for this analysis as it records the useful lives of assets and is able to provide an indication of the timing of major replacements in the normal course of business.

26.6.3 Other important documents necessary to take a disposal decision are:

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26.6.3.1 The obsolescence plan.

26.6.3.2 The renewal plan.

26.6.3.3 The list of unserviceable items.

26.6.3.4 The list of obsolete items.

26.6.3.5 The list of redundant items.

26.6.4 The following policy guidelines are provided to help the entity to dispose of their assets in an accountable manner. The entity should:

26.6.4.1 Establish and maintain an asset information system, which records all relevant information on assets in disposal management.

26.6.4.2 Prepare and evaluate proper costing to support the selection of the most cost-effective disposal method.

26.6.4.3 Identify those areas most susceptible to fraud or risks and introduce appropriate preventive measures.

26.6.4.4 Identify and communicate the preferred arrangements for disposals to relevant staff.

26.6.4.5 Engage experts to develop the terms of contract and to assist in preparing the contract to minimize the exposure to risk.

26.6.4.6 Provide clear instructions to the official engaged to undertake the disposal.

26.6.4.7 Monitor and evaluate disposal performance regularly for achievement, fair dealing, and cost-effective choice of disposal methods and for compliance with the entity's disposal policies and objectives.

### **26.7 ALTERNATIVES TO DISPOSAL**

26.7.1 Where assets have been identified as under-performing or no longer functionally suited to Programme delivery needs, thought should be given to the following possible alternatives to disposal:



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26.7.1.1 A factor to consider is whether utilization can be increased by adapting the asset to another function or using it in another Programme.

26.7.1.2 Refurbishment or an upgrade of the asset may also be viable. The cost and benefit of such alternatives should be included in the disposal strategy.

### **26.8 DETERMINING METHODS OF DISPOSAL**

26.8.1 The primary methods of disposal include sale by public auction or bidding, sale by private treaty, trade-in, write-off and letting.

26.8.2 Whatever method is chosen, it is important, not least for accountability and transparency, that a properly cost evaluation of relevant disposal option is prepared. This should take into account both the costs associated with each method of disposal and the likely benefits (including possible proceeds).

26.8.3 Before deciding on a particular disposal method, the following matters should be considered:

26.8.3.1 The nature of the asset.

26.8.3.2 Its potential market value.

26.8.3.3 Other intrinsic value of the asset.

26.8.3.4 Its location.

26.8.3.5 Its volume.

26.8.3.6 Its trade-in value.

26.8.3.7 Its ability to support other programs.

26.8.3.8 Environmental considerations.

26.8.3.9 Market conditions.

26.8.3.10 The asset's lifetime.

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26.8.4 Professional valuations play an important role in asset disposal. It can help managers to select the most appropriate selling method. It also helps to set realistic expectations for the sale. If it is required, valuations must be obtained from experienced agents who have knowledge of the type of asset(s) for sale and current market trends.

### **26.9 DISPOSAL OF CAPITAL ASSETS**

26.9.1 The entity may not transfer ownership as a result of a sale or other transaction or otherwise permanent dispose of a capital asset needed to provide the minimum level of basic municipal services.

26.9.2 The entity may transfer ownership or otherwise disposal of a capital asset other than one mentioned above, only after the council of Mangaung Metro Municipality, in a meeting of the council open to the public:

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

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

26.9.3 A decision by the board that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the entity after that asset has been sold, transferred or otherwise disposed of.

26.9.4 Any transfer of ownership of a capital asset in terms of this policy must be fair, equitable, transparent, competitive and consistent with the supply chain management policy of the entity.

26.9.5 This section does not apply to the transfer of a capital asset to another entity or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.

### **26.10 DISPOSAL OF IMMOVABLE PROPERTY**

26.10.1 Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.

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26.10.2 Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise.

26.10.3 All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.

### **26.11 DISPOSAL OF FIREARMS**

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

### **26.12 DISPOSAL OF MOVABLE ASSETS**

26.12.1 Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets.

26.12.2 Transferring the asset to another organ of state at market related value or when appropriate, free of charge.

26.12.3 Movable assets may be sold to either by way of written price quotations, competitive bids and auction or at market related prices, whichever is the most advantageous to the entity. Bid documents must comply with the criteria prescribed in terms of the PPPFA (Act No 5 of 2000).

26.12.4 In cases where assets are traded in for other assets, the highest possible trade-in price is to be negotiated.

### **26.13 COMPUTER EQUIPMENT**

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

### **26.14 OTHER DISPOSAL MECHANISMS**

26.14.1 Other appropriate ways of disposal may include:

26.14.1.1 Donations.

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26.14.1.2 Auctioning the asset

26.14.1.3 Sale to staff.

26.14.1.4 Sell as scrap.

26.14.1.5 Recycling.

26.14.1.6 Cannibalization.

26.14.1.7 Destroying such assets.

### **26.15 DISPOSAL REGISTER**

26.15.1 All the steps in the disposal process must be recorded in the disposal register. The disposal manager keeps this register. Such a register must address the following aspects:

- a) Date on which disposal was requested.
- b) Sequence serial number of convening.
- c) Date of physical inspection by the Disposal Committee.
- d) Date that the disposal certificate was submitted to the Accounting Officer.
- e) The date on which confirmation was given by the Accounting Officer.
- f) Actual date of physical disposal of item in terms of confirmation instruction received.
- g) Date confirming that disposal instructions were adhered to.

### **26.16 GENERAL ISSUES**

26.16.1 At the very least, a comparison of the actual timing and proceed on disposal should be made with the standard established for the class in the entity's accounting policies. This is a means of confirming that the useful life, estimated proceeds, and therefore the depreciation rates used are valid. It also

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provides the opportunity to identify causes where assets are routinely not meeting the service life expectations or their estimated proceeds on disposal.

26.16.2 In addition to undertaking the cost-benefit analysis of the methods of disposal, the Asset Manager is required to compare actual life at disposal with the expected useful life and to explain significant variations.

### **SECTION 27: REPORTING**

#### **27.1 GENERAL REPORTING OBLIGATION**

27.1.1 The Accounting Officer shall inform Mangaung Metropolitan Municipality, in writing of:

27.1.1.1 Any failure by the board to approval or implement a supply chain management policy.

27.1.1.2 Any non-compliance by a board with this policy.

27.1.1.3 The Accounting Officer shall submit to Mangaung Metropolitan Municipality such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

27.1.1.4 If the Accounting Officer is unable to comply with any of the responsibilities in terms of this Act, he or she must promptly report the inability, together with reasons, to the board.

#### **27.2 INFORMATION TO BE PLACED ON WEBSITE**

27.2.1 The Accounting Officer shall place on the website the following documents of the entity:

- a) All service delivery agreements.
- b) All supply chain management contracts above R30 000 (vat included).
- c) An information statement containing a list of assets over R30 000 (vat included) that has been disposed of during the previous quarter.
- d) Contract to which Subsection (1) of Section 33 of the Act apply, subject to Subsection (3) of that Section.

27.2.2 A document referred to in the paragraph above must be placed on the website not later than five days after its tabling to the board or on the date of which it must be made public, whichever occurs first.

## **27.3 MONTHLY REPORTING**

27.3.1 The Accounting Officer shall report monthly to the board on the following aspects:

- a) Implementation of Supply Chain Management Policy.
- b) Awards of bids for more than R 100 00.00 (vat included) reported to National Treasury.
- c) Deviation processes followed, non-utilization of provider list, salami slicing, maverick spend, getting less quotes than prescribed.
- d) Urgency/emergency procurement processes followed.
- e) Process disputes.
- f) Late bids admitted and approved.
- g) Instances of fraud or corruption.
- h) Value for money.
- i) Unsolicited bids considered.
- j) Approval of tenders not recommended.
- k) Percentages of total spending towards Preferential Points (HDI, SMME's, Local content etc.)

27.3.2 The Accounting Officer must on a monthly basis report to the board on the management of contracts

27.3.3 or agreements and the performance of the relevant contractors.

## **27.4 QUARTERLY REPORTING**

27.4.1 The Accounting Officer shall within 10 days after the end of each quarter submit implementation reports on SCM for consideration by the board.

## **27.5 ANNUAL REPORTING**

27.5.1 The Accounting Officer shall at least annually within 30 days of the end of each financial year submit reports on the implementation of the SCM policy to the board.

## **27.6 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE**

27.6.1 The notes to the annual financial statements must disclose particulars of any award of more than R 2 000 to a person, who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

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

### **SECTION 28: MONITORING AND CONTROL**

#### **28.1 INTERNAL MONITORING**

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

#### **28.2 ISSUES TO BE REVIEWED**

28.2.1 Achievement of goals within the SCM framework, particularly those associated with the Preferential Procurement Policy Framework Act, the Multi-Year Business Plan and Broad-based Black Economic Empowerment Act and Strategy.

28.2.2 Compliance with norms and standards.

28.2.3 Savings generated.

28.2.4 Stores efficiency.

28.2.5 Cost variance per item.

28.2.6 Contract breach, etc.

28.2.7 Cost efficiency of procurement process (i.e. the cost of the process itself).

28.2.8 Whether supply chain objectives are consistent with Government's broader policy focus.

28.2.9 That the material construction standards become increasingly aligned with those standards that support international best practice.

28.2.10 That the principles of cooperative governance as expounded in the constitution are observed.

28.2.11 That the reduction of regional economic disparities is promoted.

28.2.12 At completion stage of each project, an assessment of the supplier/service provider (including consultants where applicable) be undertaken and that this assessment should be available for future reference. Accounting Officers should take cognizance of the fact that when suppliers do not perform according to their contractual obligations and the Accounting Officer does not address his/her in this regard during the execution of the contract, such non-performance cannot be deemed as sound reason for passing over the bid of such supplier when adjudicating future bids.

### **28.3 DIMENSIONS OF PERFORMANCE**

#### **28.3.1 Equity**

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

#### **28.3.2 Efficiency**

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

#### **28.3.3 Economy**

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



### 28.3.4 Effectiveness

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

### 28.3.5 Value for Money

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

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

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

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

## 28.4 MONITORING OF MUNICIPAL SUPPLY CHAIN MANAGEMENT

28.5 The Accounting Officer of the entity must within 30 days of the end of the financial year, submit a report on the implementation of the SCM policy of the entity, to the board.

28.6 Whenever there are serious and material problems in the implementation of the SCM policy, the Accounting Officer must immediately submit a report to the board.

### **SECTION 29: REVIEW AND APPROVAL**

This policy and underlying strategies will be reviewed at least annually, or as necessary, to ensure its continued application and relevance.

Approved by the board of directors on \_\_\_\_\_:

Signed: \_\_\_\_\_

Chairperson of the Board

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

DRAFT