# PART A

**SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES MANUAL**

*City of Matlosana SCM Manual*

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The Accounting Officer will be the accountable custodian of this Manual.

1.1 The Accounting Officer must ensure that this draft SCM Manual, which is inclusive of policy and procedures, is submitted firstly to the Mayoral Committee of City of Matlosana for consideration and adoption and thereafter to the Council of the City of Matlosana for their approval as required.

1.2 If the Accounting Officer submits a draft Manual to the Council of City of Matlosana that differs from the model policy, the Accounting Officer must ensure that such draft Manual complies with the MFMA Regulations. The Accounting Officer must report any deviation from the model policy to the National Treasury and the North West Provincial Treasury.

Section 1: Document Definition

2 SCM MANUAL REVIEW

This SCM Manual must be reviewed at least annually.

2.1 The SCM Manual must be reviewed at least annually to ensure that it is aligned with the legislative environment.

2.2 When deemed necessary on an ad hoc basis, the accounting officer must submit proposals for the amendment of the policy to the Mayoral Committee.

2.3 If the accounting officer submits draft amendments to the Mayoral Committee that differs from the model policy, the accounting officer must ensure that such draft amendments comply with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the Provincial Treasury.

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

3 AMENDMENT HISTORY
4 DISTRIBUTION OF THE MANUAL

**POLICY**

☐ All changes must be distributed to all the relevant role players.

4.1 After changes have been made, updated hard copies and electronic copies (posted on the Intranet) of the document must be sent at least to the following parties:

4.1.1 Executive Mayor.

4.1.2 Members of the Mayoral Committee.

4.1.3 Accounting Officer.

4.1.4 Heads of Departments

4.1.5 Members of the Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee, All supply chain officials and other employees who might be affected by the change.

### Section 2. Terminology

#### 1 ABBREVIATIONS

- **AG**  Auditor-General
- **AO**  Accounting Officer
- **BBBEE**  Broad Based Black Economic Empowerment
- **BBBEE Act**  Broad Based Black Economic Empowerment Act
- **BEE**  Black Economic Empowerment
- **CFO**  Chief Financial Officer
- **CIDB**  Construction Industry Development Board
- **Dti**  Department of Trade and Industry
- **GCC**  General Conditions of Contract
- **HDI**  Historically Disadvantaged Individual
- **IDP**  Integrated Development Plan
- **IT**  Information Technology
- **ITC**  Information to Consultants
- **LCC**  Life Cycle Costing
- **LO**  Letter of Invitation
2. DEFINITIONS

**Accountability** The personal responsibility of a person to his senior or higher authority for any act or omission in the execution of this assigned duties (accountability cannot be delegated).

**A-class accountable items** A-class accountable items are those items that are not consumable or expendable.

**Acquisition management** Acquisition management is the process of procurement of goods, works and services and includes the:

- Identification of preferential policy objectives;
- Determination of market strategy;
- Application of depreciation rates;
- Application of total cost of ownership principle;
- Compilation of bid documentation, including conditions;
P: 0

- Determination of evaluation criteria;
- Evaluation of bids and tabling of recommendations;
- Compilation and signing of contract documents;
- Contract administration.

**Asset** 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:
- It possesses service potential or future economic benefit that is expected to flow to the entity.
- It is controlled by the entity.
- It originates as a result of a past transaction or event.

**Authority** Authority is the right or power attached to a rank or appointment permitting the holder thereof to make decisions, to take command or to demand action by others.

**Black empowered enterprise** Is one that is at least 25.1% owned by black people and where there is substantial management control.

**Black enterprise** Is one that's 50.1% owned by black people and where there is substantial management control.

**Black people** Black people are a generic term which means Africans, Coloureds, Chinese and Indians.

**Black woman owned enterprise** Is one with at least 25.1% representation of black women within the black equity and management portion.

**Broad Based Black Economic Empowerment** Means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:
1. Increasing the number of black people that manage, own and control enterprises and productive assets.
2. Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises.
3. Human resource and skills development.
4. Achieving equitable representation in all occupational categories and levels in the workforce.
5. Preferential procurement.
6. Investment in enterprises that are owned or managed by black people.

**Buy out** Pay someone to give up an ownership.

**Chief Financial Officer** An officer designated by the accounting officer of the Municipality, who is accountable to the AO for effective financial management.

**Community or broad-based enterprise** Has an empowerment shareholder who represents a broad base of members such as a local community or where the benefits support a target group for example black women, people living with disabilities, the youth and workers.

**Close family member** Close family member includes the spouse, child or parent of this member.

**Competitive bid** Means a bid in terms of a competitive bidding process.
**Competitive bidding process** Means a competitive bidding process referred to in the MFMA Regulation 12(1) (d).

**Construction industry** Means the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment.

**Construction works** Means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, dismantling or demolition of a fixed asset including building and engineering infrastructure.

**Current asset (inventory perishable goods)** An asset that would, in the normal course of operations that could be consumed or converted to cash within 12 months after the last reporting date.

**Customer service** It is the process of serving customers in accordance with acceptable, pre-determined standards in such a manner that it increases customer satisfaction and minimises times and costs.

**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.

**Depreciation** refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit.

**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.

**E-class accountable items** are consumable and expendable stores that cannot be repaired when it become unusable.

**Economic principle** Obtain the highest possible output for the lowest possible use of resources.

**Economy of scale** Reductions in the average cost of a product in the long run, resulting from an expanded level of output.

**End-user** The end-user is the person who plays a role in the procurement process.

**Equipment** A-class accountable stores that are issued and accounted for on an inventory.

**Final award** In relation to bids or quotations submitted for a contract, means the actual acceptance of the bid or quote.

**Formal written price quotation** Means quotations referred to the MFMA Regulation 12(1)(c).

**Historically disadvantaged individual** Historically Disadvantaged Individual (HDI) means a South African citizen who:

- Is female and/or
- Has a disability.

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.

**Immovable assets** 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).

**In the service of the state** Means to be:

- A member of
- Any municipal council,
- Any provincial legislature; or
- The National Assembly or the National Council of Provinces.
- A member of the Board of directors of any municipal entity.
- An official of any municipality or municipal entity.
- 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).
- A member of the accounting authority of any national or provincial public entity; or
- An employee of Parliament or a provincial legislature.
Intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.

Integrated SCM The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimising the total cost of SCM elements.

Inventories 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.

Inventory (movable assets) management It must be possible to determine accountability for all A-Class-accountable items at all times. Records must 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 must therefore be maintained for all A-class accountable items.

Items An individual article or unit.

Lifecycle costing Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.

List of accredited prospective providers Means a list of accredited prospective providers that a municipality or municipal entity must keep in terms of the MFMA Regulation 14.

Long term contract Means a contract with a duration period exceeding one year.

Measurable objectives Measurable objectives identify very specific things that the municipality intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.

MFMA Regulations Means the Municipal Supply Chain Management Regulations in terms of the MFMA (Act No 56 of 2003)

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.

Municipal functions Means:

- A municipal service.
- Any other activity within the legal competence of a municipality.

Municipal property In relation to a municipality, includes any movable, immovable or intellectual property, owned by or under the control of:

- A municipality;
- A municipality under the sole or shared control of the municipality.

Net present value (NPV) The sum that results when the discounted value of the expected costs of an investment is deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.

Obsolete No longer produced or used, out of date, to become obsolete by replacing it with something new.

Official Official means:

- An employee of a municipality;
- A person seconded to a municipality to work as a member of the staff;
- A person contracted to work as a member of the staff other than as an employee.

Operation and maintenance plan An operation and maintenance plan to ensure assets remain appropriate to programme requirements, are efficiently utilised, and are maintained in the necessary condition to support programme delivery at the lowest possible long term cost.

Over-utilisation Over-utilisation can have adverse affects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs.

Practitioner A person who practices a profession or art.

Procedures A series of actions conducted in a certain order or manner.

Process A series of actions or steps towards achieving a particular end.

Project management Project management is the planning, directing and controlling of an organisation’s resources over a short term to ensure that specific objectives are successfully met.

Provider A provider is the private person or institution that provides supplies, services or works to City of Matlosana.
Quittance The acknowledgement by the recipient of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.

Redundant No longer needed or useful, superfluous (unnecessary).

Renewal Replace or restore (something broken or worn out).

Repairable Term applicable to assemblies with detail parts breakdown that are economically repairable, and in the normal course of operation are continually returned to a fully serviceable condition over a period less than the life of the end item to which they are related. These assemblies possess economic value either in a serviceable or unserviceable condition.

Responsibility The obligation imposed on an individual to properly exercise the authority vested in him/her. This involves the power to command and to demand action in the proper execution of the relevant duties.

Risk Risk refers to the organisation’s decision about those risks that it will take and those it will not take in the pursuit of its goals and objectives.

Risk management 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.

Rules Rules are statements that a specific action must or must not be taken in a given situation.

Salvage The Act of saving any goods or property in danger of damage or destruction.

Strategic Managers means managers who plan, direct, co-ordinate and control the activities of City of Matlosana.

SMME Means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more, including its branches or subsidiaries, if any is predominantly in any sector or subsector of the economy and can be classified as a micro-, a small or a medium enterprise by satisfying the criteria for the smallest relevant size or class.

Sourcing Where to obtain, an item to procure.

Specification Terminology generally used to describe the requirement for goods.

Spend analysis Analysis of expenditure per provider, per commodity, per service and item for a specific timeframe.

Stores/stock All movable state property/assets that are kept in stock for issue purposes.

Strategic goals Strategic goals are areas of organisational performance that are critical to the achievement of the mission and are statements that describe the strategic direction of the organisation.

Strategic objectives Strategic objectives are more concrete and specific than strategic goals. It must give a clear indication of what the municipality intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or “results” of actions that the municipality intends taking.

Supply chain management

SCM is an integral part of financial management. This function is the collaborative strategy that integrates the planning, procurement and provisioning processes in order to eliminate non-value adding cost infrastructure, time and activities, seeks to introduce international best practices, whilst at the same time addressing Government’s preferential procurement policy objectives and whilst serving the end-users and customers efficiently.

Six phases are distinguished in the SCM processes, namely:

- Demand management.
- Acquisition management.
- Logistics management.
- Disposal management.
- Risk management
- Performance management.

Terms of Reference Term used to describe the requirement for professional services.

Total cost of ownership The sum of direct spend, related spend, process spend and opportunity cost associated within a specific commodity and service to the owner.

Treasury guidelines Means the guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA.

Under-utilisation Under-utilisation increase the unit cost of programme delivery and may prompt the purchase of new assets when not required.

Unserviceable The condition of an item that is no longer suitable for use and cannot be economically repaired.
Value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

Written quotations Means quotations referred to in the MFMA Regulation 12(1) (b).

Section 3. Legislative Environment

POLICY

- City of Matlosana is committed to applying the prescribed legislative environment as it pertains to SCM.

1. THE CONSTITUTION

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

1.1.1 “217(1) When an Organ of State in the national, provincial or local sphere of Government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

1.2 Subsection (1) does not prevent the organs of state or institutions referred to in the subsection from implementing a procurement policy providing for:

1.2.1 Categories of preference in the allocation of contracts; and

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

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

2. THE MUNICIPAL FINANCE MANAGEMENT ACT

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

2.2 Section 2 stipulates that municipalities must establish norms and standards and other requirements for:

2.2.1 Ensuring transparency, accountability and appropriate lines of responsibility.

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

2.2.3 Supply chain management.

2.3 Section 14 stipulates a municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

2.3.1 Section 63(1) (a) stipulates that the AO of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.
2.3.2 Section 63(2) (c) stipulates that the municipality has and maintains a system of internal control of assets, including an asset register, as may be prescribed.

2.3.3 Sections 111 and 112 stipulate that each municipality must have and implement a SCM policy that is fair, equitable, transparent, competitive and cost-effective.

2.3.4 Section 114 stipulates that if a bid other than the one recommended in the normal course of implementing the SCM policy, is approved, the AO must, in writing, notify the AG, the provincial and national treasury, of the reasons for deviating from such recommendation.

2.3.5 Section 115 which stipulates that the AO must:

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

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

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

3 REGULATIONS IN TERMS OF SECTION 168 OF THE MUNICIPAL FINANCE MANAGEMENT ACT

3.1 The regulations cover investments, supply chain management and public private partnerships. The aspects of SCM are:

3.1.1 That each municipality must have and implement a SCM policy.

3.1.2 The Council must delegate such supply chain management powers and duties to the AO.

3.1.3 Each municipality must establish its own SCM Unit. The SCM Unit must, where possible operate under the direct supervision of the CFO.

3.1.4 The training of officials involved in implementing a supply chain management policy must be in accordance with any Treasury guidelines on SCM training.

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

3.1.5.1 Demand management.

3.1.5.2 Acquisition management.

3.1.5.3 Logistics management.

3.1.5.4 Disposal management.

3.1.5.5 Risk management

3.1.5.6 Performance management.

3.1.6 The bid documentation must take into account the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.

4 LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT

4.1 The purpose of the Local Government: Municipal Systems Act, Act No 32 of 2000 as amended, is:
4.1.1 To provide for the core principles, mechanisms and processes that is necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all.

5 THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (PPPFA)

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

5.2 City of Matlosana must apply the Preferential Procurement Policy Framework Act, (Act No 5 of 2000) and its regulations.

5.3 The Act provides for the implementation of a preference system in the allocation of contracts for categories of service providers and the promotion of goals to advance the interest of persons disadvantaged by unfair discrimination.

5.4 The Act also regulates that the evaluation processes are conducted in a fair, justifiable and transparent manner.

5.5 There is currently a process underway to ensure that the PPPFA and the BBBEE Act is aligned. A revised PPPFA has been published for comment, but it is unclear when this will be promulgated.

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

6.1 The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published. Draft codes of good practice have also been issued for comment. These codes could include qualification criteria for preferential procurement and other economic activities.

6.2 City of Matlosana must adhere to the directives contained in the BBBEE Act as it affects the procurement process.

6.3 Economic transformation must be promoted through preferential procurement in order to promote meaningful participation of black people including women, workers, youth, people with disabilities and people living in rural areas, in the economy.

6.4 Transformation will achieve a change in the racial composition of ownership and management structures of existing and new enterprises.

7 THE KING REPORT II ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2002

7.1 City of Matlosana must subscribe to the Code of Corporate Practices Conduct in all material respects as it affects supply chain management.

7.2 The Report concludes that successful governance requires organisations to adopt an inclusive approach and there must be greater emphasis on the sustainable or non-financial aspects of its performance.
7.3 The tests of fairness, accountability, responsibility and transparency to all acts or omissions must be applied and also be accountable to the organisation, but also responsive and responsible towards the organisation’s stakeholders.

7.4 The Report describes the principles of risk management, ethical conduct, black economic empowerment and social investment prioritisation and spending.

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

8.1 City of Matlosana must adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 as it affects the supply chain process.

8.2 The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance or offering 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 and auctions.

8.3 The Act provides for miscellaneous offences relating to possible conflict of interest and other unacceptable conduct such as acquisition of private interest in contract, agreement or investment of a public body.

8.4 National Treasury must establish a register for tender defaulters.

**9 THE NATIONAL SMALL ENTERPRISE ACT**

9.1 The National Small Enterprise Act, Act No 102 of 1996, as amended, establishes an advisory body and the Small Enterprise Development Agency to provide guidelines for organs of state in order to promote small enterprises in the Republic.

**10 THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (CIDB) ACT**

10.1 The Construction Industry Development Board Act (CIDB Act), Act No 38 of 2000, issued November 2000, was promulgated to provide for the establishment of the Construction Industry Development Board; to implement an integrated strategy for the reconstruction, growth and development of the construction industry and to provide for matters connected therewith.

10.2 The construction industry operates in an uniquely project specific and complex environment, combining different investors, clients, contractual arrangements and consulting professions; combining different site conditions, design, materials and technologies; combining different contractors, specialist subcontractors and the workforce assembled for each project.

10.3 Section 18(1) of the CIDB Act states that a contractor may not undertake, carry out or complete any construction works or portion thereof for public sector contracts, awarded in terms of competitive bids or quotation, unless he or she is registered with the Board and holds a valid registration certificate issued by the Board.

10.4 The MFMA Regulations determine that City of Matlosana must take into account the requirements of the CIDB in case of bid documentation relating to construction, upgrading or refurbishment of buildings or infrastructure.

**11 STATE INFORMATION TECHNOLOGY AGENCY (SITA) ACT**
11.1 The State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended by Act 38 of 2002, requires that SITA may act as the procurement agency for municipal entities’ information technology requirements should the municipality so wish.

12 PUBLIC-PRIVATE PARTNERSHIPS

12.1 Whatever goods, works and/or services are procured by means of public-private partnerships, Chapter 11, Part 2 of the MFMA as well as the subsequent Regulations, Schedule 3, must be adhered to.

13 POLICY TO GUIDE UNIFORMITY IN PROCUREMENT REFORM PROCESSES IN GOVERNMENT

13.1 The Policy To Guide Uniformity In Procurement Reform Processes In Government was approved by Cabinet 10 September 2003 and promulgated on 05 December 2003, is applicable to the national and provincial spheres of government but must be properly taken into account and may be incorporated into the local government environment for uniformity and best practice. City of Matlosana has decided to consider the incorporation of best practices from the above.

13.2 The policy strategy has as a goal the uniform implementation of Government’s procurement reform initiatives and the issuing of regulations in terms of Section 76(4) (c) of the PFMA in respect of the Framework for SCM.

13.3 In terms of this policy strategy, accounting officers are required to establish and implement a SCM function that promotes sound financial management and uniformity in all spheres of Government.

13.4 Regarding insurance organs of State may insure for procurement related physical risks, establish risk management programmes or make advance provision for losses associated with such risks. Suitable arrangements should also be made to ensure that insurance related excesses do not cause the failure of SMME’s.

14 NATIONAL TREASURY PRACTICE NOTES

14.1 The practice notes are applicable to the national and provincial spheres of government but must be properly taken into account and may be incorporated into the local government environment for uniformity and best practice. City of Matlosana has decided to consider the incorporation of best practices from the above.

14.2 All documents relevant to SCM are electronically available on National Treasury’s website.

14.2.1 The website address is: www.treasury.gov.za

14.3 Current practice notes that have already been issued pertain to the following:

14.3.1 General conditions of contract and standardised bidding documents

14.3.2 Appointment of consultants

14.3.3 Code of conduct for SCM practitioners

14.3.4 Tax Clearance Certificates

14.3.5 Procurement of motor vehicles

14.3.6 Checklist for the implementation of SCM and monthly reporting of SCM information

14.3.7 Strategic sourcing of motor vehicles: Request for estimates
14.3.8 Training of SCM officials
14.3.9 Replacement of the standard bidding documents-form pertaining to the NIPP.
14.3.10 Threshold values for the procurement of goods and services by means of petty cash, verbal/written price quotations and competitive bids.
14.4 Letters issued by National Treasury pertaining to the following:
14.4.1 Letter of 27 October 2004 regarding the implementation of SCM.
14.4.2 Letter of 10 May 2005 regarding the evaluation of bids, calculation of points and timely payment of accounts.
14.4.3 Irregular expenditure dated 24 October 2005.
14.4.4 Inspections, tests and analysis conducted by institutions accredited or recognised by the South African National Accreditation System (SANAS) on bid samples, capability, evaluations and consignments dated 20 October 2005.
14.4.5 Prohibition of set-asides and the use of cost estimates as benchmarks and measurable attached to specific goals for which preference points are awarded dated 23 January 2006.
14.4.7 Projects/services funded by grants in accordance with technical agreements and appointment of transaction advisors to assist with public private partnerships dated 21 September 2006.

15 OTHER APPLICABLE BY-LAWS, ORDINANCE AND LEGISLATION

15.1 Cognisance must be taken of the following pieces of legislation that may have an impact on the supply chain environment:
15.1.1 Promotion of Administrative Justice Act, Act No 3 of 2000.
15.1.2 Promotion of Access to Information Act, Act No 2 of 2000.
15.1.3 Protected Disclosures Act, Act No 26 of 2000.
15.1.4 The Competition Act, Act No 89 of 1998.
15.2 All other applicable by-laws, ordinances or legislation impacting on SCM must be taken into account.

Section 4: Overall Objective

1 OVERALL OBJECTIVE
1.1 To ensure the efficient, effective and uniform planning for and procurement of all goods, services and works, required for the proper functioning of City of Matlosana as well as the sale and letting of assets that conforms to constitutional and legislative principles whilst developing, supporting and promoting historically disadvantaged individuals, black economic empowerment, small, medium and micro enterprises (SMMEs), and preferential goals (socioeconomic objectives).

1.2 To ensure the efficient, effective and uniform management of logistics and disposal of goods and assets through the supply chain management process.

1.3 City of Matlosana must ensure good governance through its supply chain processes.

1.4 To ensure that City of Matlosana’s strategic objectives are achieved.

2 SUPPLY CHAIN MANAGEMENT POLICY

2.1 In terms of section 111 of the MFMA, this City of Matlosana SCM Policy shall:

2.1.1 Give 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 Be fair, equitable, transparent, competitive and cost effective.

2.1.3 Comply with:

2.1.3.1 The regulatory framework prescribed in Chapter 2 of the MFMA Regulations, and

2.1.3.2 Any minimum norms and standards that may be prescribed in terms of section 168 of the Act.

2.1.4 Be consistent with other applicable legislation.

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

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

2.2 City of Matlosana shall 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.

2.3 The normal procurement process as prescribed in MFMA Regulation 2(1) to (3) shall normally not apply if City of Matlosana contracts with another organ of state in the following circumstances:

2.3.1 The provision of goods or services to City of Matlosana.

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

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

2.3.4 This Manual may include any Treasury guidelines determining standards for this SCM policy.

3 AIM AND PURPOSE OF THE SCM SYSTEM
3.1 To have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain system when sourcing and procuring goods, services and works as well as the sale and letting of assets that conforms to constitutional and legislative principles and maximises the benefits from its consolidated buying power in the market place.

3.2 City of Matlosana must manage its financial and administrative resources in such a manner to meet and sustain its supply chain goals.

4 THIS SCM MANUAL POLICY

☐ This Manual must give effect to the legislation and the overall objective stated through policy and procedures.
☐ All City of Matlosana's SCM must be done in line with the policy and procedures outlined in this Manual.

4.1 Where the National Treasury issue amendments in the interim, those instructions must also be taken into account in the execution of the SCM in addition to the Manual and the Manual must be amended at the earliest convenient opportunity.

Section 5 CITY OF MATLOSA NA STRATEGIC DIRECTION

The direction is set out as follows:

<table>
<thead>
<tr>
<th>STRATEGIC GOALS</th>
<th>STRATEGIC OBJECTIVES</th>
<th>MEASURES</th>
</tr>
</thead>
</table>
| To promote and maintain good Corporate governance | To render an effective and efficient SCM function for City of Matlosana | o Compliance with legislative requirements  
| | | o Simplified uniform SCM policy and procedures  
| | | o Appropriate delegations and segregation of duties.  
| | | o Audit trail of procurement process  
| | | o Recorded spend.  |
| To promote HDI, BEE and SMME Procurement spend | o To ensure that BEE imperatives are adequately addressed in accordance with Local Municipality’s BEE policy  
| | | o To award all orders, contracts, sub-contracts and supplier agreements to suppliers that are approved according to City of Matlosana’s accreditation process.  |
| | | o Setting annual HDI/BEE/SMME targets  
| | | o Equity ownership as a standard evaluation criterion  
| | | o Promotion of HDI/BEE/SMME joint ventures and subcontracting where feasible  
| | | o Inclusion of SMME in accordance with the PPPFA in all bidding processes where feasible  |

22
<table>
<thead>
<tr>
<th>To improve efficiency, effectiveness and uniformity</th>
<th>To ensure that the procurement of assets, goods and services and the appointment of consultants and service providers for City of Matlosana is done in an efficient, cost effective and uniform manner.</th>
<th>Responsive SCM processes. Uniform processes and documentation</th>
</tr>
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<tr>
<td>The prevention of unauthorised, irregular, and fruitless and wasteful Expenditure</td>
<td>To ensure that the procurement of assets, goods and services and the appointment of consultants and service providers for City of Matlosana is done in an efficient, cost effective and uniform manner.</td>
<td>Responsive SCM processes. Uniform processes and documentation</td>
</tr>
<tr>
<td>To ensure value for money when procuring.</td>
<td>To achieve continuous improvement in value for money on the total cost of ownership</td>
<td>Optimal processes Clear and unambiguous requirement setting (specification / terms of reference). Effective contract and supplier</td>
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2 CITY OF MATLOSANA EMPOWERMENT STRATEGY

2.1 City of Matlosana is committed to the social and economic transformation of South Africa. It is therefore committed to support objectives and initiatives as captured in concepts such as BEE and preferential procurement.

2.2 Taking into consideration the abovementioned SCM strategic goals and objectives, City of Matlosana must develop a strategy and implementation plan to implement the strategic direction.

Section 6: Authority to Execute

1 GENERAL RULES ON DELEGATION OF AUTHORITY

POLICY

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

1.2 A delegation of authority shall be in writing and be made to a specific position, and not to a named individual

1.3 A delegation or sub-delegation of authority may be confirmed, varied, or revoked by the person making the delegation or sub-delegation, but no such variation or revocation of a delegation or sub-delegation may detract from any right that may have accrued as a result of that delegation or sub-delegation.

1.4 The Accounting Officer is entitled to confirm, vary or revoke any decision taken in consequence of a delegation, provided that no such variation or revocation of a decision should detract from any rights that may have accrued as a result of the decision.

1.4.1 A delegation of authority shall be in writing and be made to a specific position, and not to a named individual.

1.4.2 The delegation of powers does not divest the accounting officer of the accountability concerning the exercise of the delegated power or the performance of the delegated duty.

1.5 The stipulations of Section 79 of the MFMA only apply to sub-delegations by the Accounting Officer.

2 DELEGATION OF SCM POWERS AND DUTIES

POLICY
• The delegation of powers and signing power as stipulated in council resolution no CC 15/2009 ITEM NO 6 CC 05/02/2009 shall for the purpose of supply chain management apply in the procurement of goods and services.

• The Council will delegate such additional powers and duties to the Accounting Officer so as to enable the Accounting Officer to:
  
• Discharge the legislative SCM responsibilities conferred on the Accounting Officer in terms of Chapter 8 of the MFMA and the SCM Policy responsibilities.

• Maximise administrative and operational efficiency in the implementation of the SCM policy.

• Enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the SCM Manual.

• Comply with responsibilities in terms of Section 115 and other applicable provisions of the MFMA.

• The Council may not delegate and the AO may not sub-delegate any SCM powers or duties to:

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

  • The voting members of the committee must exclusively be composed of officials of City of Matlosana.

  • The Committee may, where appropriate, solicit the advice of the external specialists.

2.1 The accounting officer of City of Matlosana must develop an appropriate system of delegation and sub-delegation that will both maximize administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration.

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

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

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

  2.2.3 The accounting officer must discharge responsibilities in terms of Chapter 11 as well as sections 79 and 115 of the MFMA.

3 SUB-DELEGATIONS

POLICY
• The accounting officer may in terms of section 79 of the Act sub-delegate any SCM powers and duties, including those delegated to the accounting officer, in terms of MFMA Regulations 4(1) but any such sub-delegation must be consistent with sub-regulation (2) and regulations 4.

3.1 The Accounting Officer may, in accordance with this system, sub-delegate to a member of City of Matlosana’s top management or any other official of City of Matlosana:

3.1.1 Any of the powers or duties assigned to the accounting officer in terms of the Act.

3.1.2 Any powers or duties reasonably necessary to assist the accounting officer in complying with a duty that requires the accounting officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of the Act.

3.2 The Accounting Officer or delegate must regularly review delegations issued in terms of its authority and, if necessary, amend or withdraw any of those delegations.

3.3 Delegations may not be construed 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 other than through the committee system provided for in this Manual.

4 RESPONSIBILITIES OF OFFICIALS

POLICY

☐ Each official must carry out its activities within its area of responsibility.

☐ Each official must take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure in his/her area of responsibility.

4.1 Role of the Municipal Manager

4.1.1 Ensures strict adherence to the guidelines provided in the SCM Policy.

4.1.2 Implementation of the City of Matlosana Supply Chain Management Policy.

4.1.3 Annual review of targets and the SCM Policy.

4.1.4 Approves the inclusion of a service provider in the Municipality supply chain management system after rehabilitation of the service provider according to statutory requirements.

4.1.5 Appoints the members of the bid committees.

4.2 Role of the Directors

4.2.1 Each Director shall be responsible and accountable for:

4.2.1.1 exercising the powers, performing the functions and discharging the duties conferred or assigned to him in terms of this SCM Policy;
4.2.1.2 implementing the SCM Policy and any procedural and other prescripts issued in terms of the policy within his area of responsibility;

4.2.1.3 ensuring compliance with the SCM Policy and any procedural and other prescripts issued in terms of the policy within his area of responsibility;

4.2.1.4 developing, or causing to be developed, draft specifications for the procurements by his directorate exceeding an amount of R 1000 (VAT inclusive);

4.2.1.5 asset utilisation management in his area of responsibility;

4.2.1.6 properly planning for and, as far as possible, accurately estimating the costs of the provision of services, works or goods for which offers are to be solicited;

4.2.1.7 selecting the appropriate preference point system to be utilised in the evaluation of offers;

4.2.1.8 achieving any objectives and targets set with regard to procurements and disposals;

4.3 Role of the Chief Financial Officer (CFO)

4.3.1 Custodian of the SCM Policy and report on progress regarding its implementation.

4.3.2 Conducts procurement audits of the entire supply chain management system to identify successes and failures for incorporation into a “lessons learnt” database.

4.3.3 Overall management of the quotation and competitive bidding process from solicitation to processing of invoice payment.

4.3.4 Promotes corporate approach by encouraging standardization of items purchased within the Municipality to realize economies of scale.

4.3.5 Provides supplier interface on supplier performance issues.

4.3.6 Ensures that procurements and disposals are effected through practices that demonstrate compliance to all relevant legislation.

4.3.7 Responsible for managing procurements and disposals to ensure that the supply chain management system of the Municipality is adhered to.

4.3.8 Ensures that the procurements and disposal process followed adheres to preference targets without compromising price, quality, service delivery and developmental objectives.
4.3.9 Responsible for ensuring that all employees involved in the supply chain management process receive the necessary training to support implementation of the SCM Policy.

4.3.10 Responsible for establishing the amount to be paid by prospective service providers as a nonrefundable deposit for enquiry documents issued by the Municipality.

4.3.11 Responsible for the verification of the applications of service providers for possible inclusion in the Register.

4.3.12 Submit regular reports to the Finance Portfolio Committee regarding progress and any matters of importance relating to the SCM Policy.

4.4. SUPPLY CHAIN MANAGEMENT UNIT

4.4.1 The Municipal Manager shall establish a Supply Chain Management Unit (SCM Unit) in the Finance Directorate.

4.4.2 The SCM Unit shall be subject to the management control of, and accountable to, the CFO;

4.4.3 The SCM Unit shall consist of:

4.4.3.1 a demands management section;

4.4.3.2 a procurement section or acquisition management;

4.4.3.3 a stores and warehouse section (logistics management); and

4.4.3.4 a performance and contract management section;

4.4.3.4 a disposal section and asset management section;

4.4.4 The Head of supply chain management shall be responsible and accountable for the day-to-day management of the SCM Unit.

4.4.5 The SCM Unit shall consist of such personnel as the Municipal Manager may appoint, after consultation with the CFO.

4.4.6 The CFO must ensure that officials implementing, applying and managing the SCM Policy are trained in accordance with the prescribed requirements.

4.4.7 All documents pertaining to the procurement of goods or services by means of written price quotations of a transaction value over R2000 up to R200 000 (VAT included), as well as all documents pertaining to
procurements by means of competitive bidding of a transaction value over R200 000 (VAT included), will be
issued, received and finalised by the SCM Unit.

4.4.8 All documents pertaining to the disposal of movable and immovable capital assets will be issued, received
and finalized by the SCM Unit.

4.4.9 OVERALL RESPONSIBILITIES OF OFFICIALS OF THE CITY MATLOSA NA

4.4.9.1 Each official must carry out its activities within its area of responsibility.
4.4.9.2 Each official must take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful
expenditure in his/her area of responsibility.
4.4.9.3 A person in the relevant group holding the rank to which the authority has been delegated or the person
with the authority in City of Matlosana appointed for the task, must carry it out satisfying the various supply chain
requirements.
4.4.9.4 All activities not delegated to a person in the relevant group or the SCM Unit holding the rank to which the
authority has been delegated, must be referred upwards to the person holding the required rank or to the relevant
delegated structure.
4.4.9.5 Each official shall be responsible for all assets within his/her area of responsibility

5 APPOINTMENT OF CONSULTANTS

POLICY

- Specialist consultants may assist in the execution of the SCM function.
- 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.
- A contract for the provision of consultancy services must be procured through competitive bids if:
  - The value of the contract exceeds R200 000 (VAT included).
  - The duration period of the contract exceeds one year.

5.1 The Accounting Officer or delegate may procure the services of advisors or consultants to assist in execution
of the supply chain management function, provided that:
5.1.1 The appointment may only be made through a competitive process.
5.1.2 No consultant may participate in the final decision-making process regarding the award of bids.
5.1.3 No decision-making authority may be delegated to a consultant. These functions must be performed by City
of Matlosana’s officials.
5.1.4 Bidders must furnish the municipality with particulars of:
  5.1.4.1 All consultancy services provided to an organ of state in the last five years.
  5.1.4.2 Any similar consultancy services provided to an organ of state in the last five years.
5.2 The municipality must ensure that copyright in any document produced and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised by a consultant in the course of the consultancy service, is vested in the municipality.

6 DELEGATION OF RESPONSIBILITIES, AUTHORITY AND ACCOUNTABILITY

6.1 Uninterrupted determination of responsibility and accountability must 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.

6.2 Responsibility

6.2.1 A delegation or sub-delegation of authority must be in writing and signed by the person making the delegation or sub-delegation and the person receiving the delegation or sub-delegation.

6.2.2 For an official to accept responsibility he/she has to receive formal training to execute the responsibilities 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.

6.3 Authority

6.3.1 Powers and duties cannot be successfully executed without proper authority. The individual, to whom duties and responsibilities have been assigned, must have the mandate to give orders and the authority to enforce obedience within the organisational parameters for proper conduct. The person must therefore be empowered to exercise the rights and to use the discretion assigned to a position.

6.3.2 The following types of powers may be sub-delegated:

6.3.2.1 Power to make defined decisions without referral to higher authority.

6.3.2.2 Power to make recommendations.

6.3.2.3 Power to agree with a decision before it comes mandatory.

6.3.2.4 The AO to be informed.

6.3.3 A delegation or sub-delegation of authority must be in writing and signed by the person making the delegation or sub-delegation and the person receiving the delegation or sub-delegation.

6.4 Accountability

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

6.4.2 A delegation of authority shall be made to the lowest level in the Municipality at which a competent and effective decision can be made.

6.5 Influence of expertise on delegations
6.5.1 A power or duty 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.

6.5.2 Gradual delegation can be considered as the expertise seated in any decentralised offices increases through experience and training.

Section 7 THE ESTABLISHMENT

1 THE SCM SYSTEM

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Accounting Officer must develop and implement an effective and efficient SCM system for:</td>
</tr>
<tr>
<td>The acquisition of goods, services and works</td>
</tr>
<tr>
<td>The disposal and letting of state assets and goods no longer required.</td>
</tr>
<tr>
<td>The system must be fair, equitable, transparent, competitive and cost effective.</td>
</tr>
<tr>
<td>The system must be consistent with the PPPFA and the BBBEE Act.</td>
</tr>
<tr>
<td>The system must provide for at least the following effective systems:</td>
</tr>
<tr>
<td>Demand management.</td>
</tr>
<tr>
<td>Acquisition management.</td>
</tr>
<tr>
<td>Committee system for competitive bids.</td>
</tr>
<tr>
<td>Logistics management.</td>
</tr>
<tr>
<td>Disposal management.</td>
</tr>
<tr>
<td>Risk management.</td>
</tr>
<tr>
<td>Performance management.</td>
</tr>
<tr>
<td>No person may interfere with the supply chain management system.</td>
</tr>
</tbody>
</table>

1.1 MFMA Regulation 9 requires that a SCM system be established as prescribed.

1.2 The SCM system is as an integrated system for the acquiring of goods, works and services on a competitive basis.

1.3 The system takes into account the main influencers such as the suppliers, clients, information and inventory flow.

2. THE SCM UNIT

- The Accounting Officer must establish a supply chain management unit (SCM Unit) to implement the supply chain management policy in line with the Council approved policies and procedures.
- The SCM Unit must, operate under the direct supervision of the Chief Financial Officer or a delegated official in terms of section 82 of the MFMA.

2.1 The separate SCM Unit shall operate under the direct supervision of the CFO or delegate.

2.2 The SCM Unit must give effect to the main functions of the SCM system.
2.3 The SCM Unit must provide administrative support services and professional secretariat services to the Bid Specification, Bid Evaluation and Bid Adjudication Committees and the other relevant evaluation and award structures as well as the Disposal Committee.

2.4 The SCM Unit must execute any other functions as prescribed from time to time.

3 TRAINING OF SCM OFFICIALS

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ The Accounting Officer and all other officials of City of Matlosana involved in the implementation of the supply chain management Manual of City of Matlosana must meet the prescribed competency levels.</td>
</tr>
<tr>
<td>□ City of Matlosana must, for the above purposes, provide resources or opportunities for the training of officials referred, to meet the prescribed competency levels.</td>
</tr>
<tr>
<td>□ The National Treasury or the Provincial Treasury or any other appropriate accredited body may assist City of Matlosana in the training of officials.</td>
</tr>
<tr>
<td>□ The training of officials involved in implementing this SCM Manual should be in accordance with any Treasury guidelines on SCM training.</td>
</tr>
</tbody>
</table>

3.1 The Accounting Officer and all other officials of City of Matlosana involved in the implementation of the SCM must meet the prescribed competency levels.

3.2 City of Matlosana must provide resources or opportunities for the training of relevant officials to meet the prescribed competency levels.

3.3 City of Matlosana must provide training for at least the following officials:

3.3.1 Strategic managers.

3.3.2 Practitioners who are involved with the day-to-day operations of SCM (strategic and operational level).

3.3.3 New entrants – new appointees irrespective of the level at which they are appointed.

3.3.4 Cross-functional team members.

3.3.5 End users involved in SCM activities.

3.4 The training requirement is also linked to delegations to competent and appropriately skilled officials.

3.5 National Treasury has issued instructions to regulate training. The training material must be of an acceptable level of quality and in accordance with the relevant SCM policy reforms and legislation and must be validated by National Treasury.

3.6 The services of training providers whose training material have been validated by the Validation Board of the National Treasury may be utilised. This form of validation is aimed at giving the Accounting Officer or delegate an indication that courses presented by these training providers comply with the requirements and will provide value for money.

3.7 A phased-in implementation strategy as outlined below could be followed:

3.7.1 Short term through “Introduction to SCM”. 
3.7.2 Medium term through training in all elements of SCM as well as training in specialised skills.

3.8 The National Treasury could monitor and assess the quality and content of training provided by training providers whose training material have been validated by the Validation Board of the National Treasury.

3.9 The City of Matlosana must ensure that training in Municipal Finance Management is accredited against the published South African Qualifications Authority (SAQA) registered unit standard and that the course material relating to the MFMA has been evaluated by the National Treasury. Training courses that meet these requirements will be published on the National Treasury website, see address below:

E-Mail: mfma@treasury.gov.za Website: www.treasury.gov.za/MFMA

Section 8: SCM Governance Structures and Roles and Responsibilities

1 SUPPLY CHAIN FOCUS

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

2 OVERSIGHT ROLE OF THE COUNCIL OF CITY OF MATLOSANA

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 The Council must consider and adopt a SCM Policy for City of Matlosana and must consider all amendments placed before it for adoption.</td>
</tr>
<tr>
<td>2.2 The Council of City of Matlosana must maintain oversight over the implementation of its SCM Policy and Procedure Manual to ensure that it is within the ambit of the applicable legislation.</td>
</tr>
<tr>
<td>2.3 The Accounting Officer must, within 10 days after the end of each quarter, submit a report on the implementation of the SCM policy to the Mayor of City of Matlosana.</td>
</tr>
<tr>
<td>2.4 For the purposes of the oversight role, the accounting officer must, within 30 days of the end of each financial year, submit a report on the implementation of the SCM policy to the Council of City of Matlosana.</td>
</tr>
<tr>
<td>2.5 Whenever there are serious and material problems in the implementation of the SCM Policy, immediately submit a report to the Council.</td>
</tr>
<tr>
<td>2.6 The reports must be made public in accordance with section 21A of the Municipal Systems Act.</td>
</tr>
</tbody>
</table>
3 ROLE OF THE MUNICIPAL MANAGER (ACCOUNTING OFFICER)

POLICY

- The Municipal Manager as the Accounting Officer must:
- Be granted the required delegations in order to discharge his/her duties to implement the SCM policy of City of Matlosana as contained in the SCM Manual.
- Comply with his/her responsibilities in terms of Section 115 of the MFMA and other applicable provisions of the MFMA.
- Take all reasonable steps to ensure that City of Matlosana has and implements a supply chain management policy as set out in MFMA Regulation 2 and taking into account any treasury guidelines.
- Maximise administrative and operational efficiency in the implementation of the SCM policy as contained in the SCM Manual.
- Sub-delegate in writing in terms of the approved policy such SCM powers and duties as necessary for the effective management of the SCM policy and procedures.

3.1 The AO must:

3.1.1 Take all reasonable steps to ensure that proper mechanisms, delegations (through sub-delegations) and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

3.1.2 Exercise utmost care to ensure reasonable protection of the assets and records of City of Matlosana.

3.2 The Accounting Officer or delegate is responsible for the preparation and submission of the draft supply chain management policy as well as amendments to the Council of City of Matlosana for adoption.

3.3 The Accounting Officer must establish the under-mentioned bid committees and must appoint the members of each committee, taking into account that the members must be eligible for the positions.

3.3.1 A bid specification committee.

3.3.2 A bid evaluation committee.

3.3.3 A Bid Adjudication Committee.

3.4 The Accounting Officer or delegate must approve the specifications that are common to more than one group in City of Matlosana.

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

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

3.7 The Accounting Officer may procure goods and services for City of Matlosana by utilising the committee system of another municipality in terms of an agreement with that other municipality.

3.8 The accounting officer may not:
3.9.1 Act in a way that is inconsistent with the responsibilities assigned to the accounting officer in terms of the MFMA.

3.9.2 Use the position or privileges of, or confidential information obtained as accounting officer, for personal gain or to improperly benefit another person.

4 THE COMMITTEE SYSTEM

**POLICY**
- The committee system for competitive bids must consist of at least:
  - A bid specification committee.
  - A bid evaluation committee.
  - A Bid Adjudication Committee.
- The committee system must be consistent with:
  - MFMA Regulations 27, 28 and 29.
  - Any other applicable legislation
  - The Accounting Officer may apply the Committee system to formal written price quotations.
- In appointing the members of each committee, the Accounting officer must take into account section 117 of the Act.
- The Accounting officer may at any stage of a bidding process, refer any recommendation made by the Evaluation Committee or the Adjudication Committee back to that Committee for reconsideration of the recommendation.

5 BID SPECIFICATION COMMITTEE

5.1 FUNCTIONS OF BID SPECIFICATION COMMITTEES

- **POLICY**
  - Compiling of quotations/bid specifications for each procurement of goods and services.
  - Specifications must be drafted in an unbiased manner to allow all potential providers to offer their goods and services.
  - The drafting process must take into account all accepted standards.
  - To identify and include each specific goal for which points may be awarded as well as the relevant evaluation criteria in the specification as bids may only be evaluated according to the criteria stipulated in the bid documentation.
  - Forward the final specification to the SCM Unit to facilitate final approval of the Specification prior to advertisement of bids.

5.1.1 In the execution of its functions, the Bid Specification Committee must apply all the rules relevant to the compilation of specifications.
5.1.2 The Bid Specification Committee must also take into account the goals that must be promoted and the manner in which it must be recorded to ensure the details of the evaluation criteria.

5.1.3 The Bid Specification Committee must take account of standards issued by Standards South Africa when compiling specifications with which the equipment or material or workmanship should comply.

5.2 ESTABLISHMENT OF BID SPECIFICATION COMMITTEES

**POLICY**

- The Accounting Officer or delegate must establish and appoint one or more Bid Specification Committees on an ad hoc basis, as necessary.

5.2.1 The SCM Unit is responsible to establish the Bid Specification Committees timely.

5.2.2 The Bid Specification Committee should be established on an ad hoc basis for each requirement. The Bid Specification Committee may also be constituted for a specific period of time should the requirement for writing specifications in a specific environment occur over a period of time.

5.2.3 Once a requirement is identified that should be satisfied, the SCM Unit must facilitate the establishment of a Bid Specification Committee.

5.2.4 The AO or delegate must inform the members of the committee of their appointment to the committee in writing. It should be stipulated for which requirement the committee is constituted.

5.3 COMPOSITION OF BID SPECIFICATION COMMITTEES

**POLICY**

- Each Committee must be composed of:
  - One or more officials from City of Matlosana and preferably the manager responsible for the function involved and requiring the goods or services.
  - SCM expertise.
  - The Committee may, where appropriate, solicit the advice of the external specialists.
  - No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

5.3.1 The SCM Unit may, in conjunction with the relevant end-user group and other relevant stakeholders, identify the appropriate person or persons to draft the relevant specification.

5.3.2 Always ensure that the relevant technical expertise is represented on the Bid specification Committee as well as supply chain expertise where required to assist with the drafting of evaluation criteria.

5.3.2.1 Must determine targets of the requirement and propose the manner in which the targets should be reached per project.

6 BID EVALUATION COMMITTEES

6.1 FUNCTIONS OF BID EVALUATION COMMITTEES

**POLICY**

- The Bid Evaluation Committee must evaluate all bids received from above the quotation threshold.
Evaluate offers received within the quotation threshold where the requirement is technically complex and/or there are risks involved that warrant this process.

Evaluation must be done in accordance with the specification for a specific procurement and with the evaluation criteria specified.

The Bid Evaluation Committee must:

Evaluate each bidder’s ability to execute the contract.

Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.

A compliance officer may attend the meeting to assist the SCM Unit to ensure compliance with the process, policy and procedure.

The Bid Evaluation Committee must submit a report and recommendations regarding the award of the bid or any other related matter to the Bid Adjudication Committee for consideration and/or approval after legal comment was given on the evaluation report and included in the information to be presented to the Bid Adjudication Committee.

Members of the Bid Evaluation Committee may present their reports to the Bid Adjudication Committee to clarify uncertainties. Such members shall not have any voting power on the Bid Adjudication Committee.

6.1.1 The Bid Evaluation Committee must:

6.1.1.1 Evaluate bids in accordance with:

6.1.1.2 The specifications for a specific procurement.

6.1.1.3 The preference point system in terms of the Preferential Procurement Policy Framework Act and as incorporated in the evaluation criteria for the specific requirement.

6.1.1.4 Evaluate each bidder’s ability to execute the contract.

6.1.1.4 Check in respect of each bidder whether:

6.1.1.5 Municipal rates and taxes and municipal service charges are not in arrears for more than three(3) months.

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

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

6.1.1.8 Verify that the recommended bidder is not in the service of the state.

6.1.1.9 Submit to the Bid Adjudication committee a report and recommendations regarding the award of the bid or any other related matter which should include the result of the compliance officer assessment.
6.2 ESTABLISHMENT OF BID EVALUATION COMMITTEES

POLICY

☐ The Accounting Officer or delegate must establish and appoint one or more Bid Evaluation Committees, as necessary per requirement.

☐ Bid Evaluation Committees must be appointed before the closing date for bids that must be evaluated by the Committee. The Committee must disband after the award of the bid.

☐ Should a member declare a conflict of interest at any stage, the member may not be part of the Bid Evaluation Committee and must be replaced by a member of suitable expertise.

☐ An official may not be a member of the Bid Evaluation Committee and the Adjudication Committee/Award Structure for the same bid.

☐ No person other than a member of the Bid Evaluation Committee or the official rendering the Secretariat function is allowed to attend the meeting.

6.2.1 The SCM Unit is responsible to establish the Bid Evaluation Committee in a timely fashion.

6.2.2 Once a bid is advertised, the SCM Unit must facilitate the establishment of a Bid Evaluation Committee and obtain approval from the Accounting Officer or the relevant delegated authority. This Committee must be established before the closing date of the bid.

6.2.3 The AO or delegate must inform the members of the committee of their appointment to the committee in writing. It should be stipulated for which requirement the committee is constituted.

6.2.4 As part of the bid evaluation pack, each member must declare its interest in writing pertaining to the specific bid in question.

6.2.5 Should an interest be declared which constitutes a conflict or is regarded as material, the member must recuse him/herself as a member of the Committee. The SCM Unit must then facilitate the appointment of a replacement member to the Committee if the remaining size of the Committee is not regarded as representative enough to proceed.

6.3 COMPOSITION OF BID EVALUATION COMMITTEES

POLICY

☐ A Bid Evaluation Committee must consist of at least three members of which one must be an accredited Strategic Managers.

☐ The Bid Evaluation Committee must comprise of at least one supply chain practitioner, a financial analyst and officials from the groups requiring the goods/services consisting of the commodity manager and an end user.

☐ If considered necessary, additional persons with suitable expertise from other groups/institutions with voting rights.

☐ If considered necessary, additional technical experts with voting rights.
The SCM Unit must fulfill the professional secretariat function.

A Bid Evaluation Committee must as far as possible be composed of:

- Officials from departments requiring the goods or services.
- At least one SCM practitioner of the Municipality.
- At least one financial practitioner.
- At least one legal practitioner.
- At least one project management practitioner.
- At least one internal audit practitioner.
- A compliance officer must attend the meeting, but will have no voting rights.
- Always ensure that sufficient technical expertise, financial expertise as well as supply chain expertise is represented on the Bid Evaluation Committee.
- The Accounting Officer or delegate must appoint one of the members of the Bid Evaluation Committee as the chairperson of the Committee. The chairperson must be a senior official.

6.3.1 The SCM Unit must, in conjunction with the relevant user group and other relevant stakeholders, identify the appropriate persons to serve on the Bid Evaluation Committee.

7 AWARD STRUCTURES

7.1 FUNCTIONS OF BID ADJUDICATION COMMITTEES

POLICY

- The Bid Adjudication Committee considers the report and recommendations made by the Bid Evaluation Committee.
- Assess the process followed in making the recommendation to ensure that the SCM policy has been complied with in full.
- Obtain clarity from members of the Bid Evaluation Committee if required.
- The Bid Adjudication Committee must approve the recommendation submitted and award the contract if delegated to do so through the minuting of the decision and the signing of the minutes by the Committee members.
- If the Bid Adjudication Committee is not delegated to award a specific bid, they must comment on the recommendations made and forward it together with the report to the Accounting Officer with an alternative recommendation who may finally award the contract.
- The Bid Adjudication Committee must refer the recommendation back to Bid Evaluation Committee when they do not agree with the recommendation to endeavour to sort out the differences if they are process related.
- Should the Bid Adjudication Committee not agree with the recommendations made by the Bid Evaluation Committee, the Bid Adjudication Committee does not have the power to finalise the award and then only the Accounting Officer may make the final award.
If a bid other than the one recommended in the normal course of implementing the supply chain management policy is approved, the accounting officer must within 10 working days, in writing notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

If a different bid was approved in order to rectify an irregularity.

If, after due consideration, the Accounting Officer rejects the decision of the Bid Adjudication Committee, the Accounting Officer must refer the recommendation back and the Bid Adjudication Committee must reconsider its recommendation.

7.1.1 The Bid Adjudication Committee must consider the report and recommendations of the Bid Evaluation Committee and either make a final award depending on delegations, or make another recommendation to the accounting officer to make the final award.

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

7.1.3 If the Bid Adjudication Committee decides to consider a bid for other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must prior to awarding the bid:

7.1.3.1 Check in respect of the preferred bidder whether the bidder’s municipal rates and taxes and municipal services charges are not in arrears.

7.1.3.2 Notify the accounting officer.

7.2 ESTABLISHMENT OF AWARD STRUCTURES

POLICY

- The Accounting Officer must establish the necessary award structures to perform the award/adjudication of quotations and bids.
- The award structures are as follows:
  - A delegated official for awards up to the quotation threshold or as delegated.
  - The Accounting Officer for awards not formally delegated to the Bid Adjudication Committee.

7.2.3 DELEGATED POWERS RELATING TO THE ACQUISITION OF GOODS, SERVICES AND THE EXECUTION OF WORK AND THE DISPOSAL OF ASSETS

7.2.3.1 Approval authority apply for acquisitions (excluding the appointment of professional service providers) in respect of quotations.

<table>
<thead>
<tr>
<th>AMOUNT (VAT INCLUSIVE)</th>
<th>DELEGATED BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions to a maximum of R 2,000</td>
<td>Persons on post level 4</td>
</tr>
<tr>
<td>Acquisitions from R 2,001 up to R 30,000</td>
<td>Persons on level 2 + 3</td>
</tr>
<tr>
<td>Acquisitions from R 30,001 up to R 200,000</td>
<td>Departmental heads</td>
</tr>
<tr>
<td>Acquisitions from R 200,001 up to R 1,500,000</td>
<td>Bid Adjudication Committee</td>
</tr>
<tr>
<td>Acquisitions exceeding R1,500,001</td>
<td>Municipal Manager</td>
</tr>
</tbody>
</table>
7.2.3.2 Approval authority in respect the appointment of professional service providers

<table>
<thead>
<tr>
<th>AMOUNT (VAT INCLUSIVE)</th>
<th>DELEGATED BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointments up to R 200 000</td>
<td>Departmental Heads</td>
</tr>
<tr>
<td>Appointments from R 200, 001 up to R 500 000</td>
<td>Bid Adjudication Committee</td>
</tr>
<tr>
<td>Appointments exceeding R 500,001</td>
<td>Municipal Manager</td>
</tr>
</tbody>
</table>

7.2.3.3 Approval authorities for disposal of capital Assets

<table>
<thead>
<tr>
<th>SUBJECT MATTER OF DISPOSAL</th>
<th>DELEGATED BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deciding whether a specific immovable capital asset (land asset) is required for providing a basic level of municipal service</td>
<td>Council</td>
</tr>
<tr>
<td>Disposing of movable capital assets with an estimated market value above R 1 m</td>
<td>Council</td>
</tr>
<tr>
<td>Disposing of movable capital assets with an estimated market value below R 1 m</td>
<td>Municipal Manager</td>
</tr>
</tbody>
</table>

7.2.4 The award structure for a specific quotation/bid cannot be:

7.2.4.1 An official who performed the evaluation or made a recommendation in respect of that quotation/bid.
7.2.4.2 A person who served as member on the Bid Evaluation Committee, who processed that quotation/bid.
7.2.4.3 No advisor or person, who assisted the Bid Evaluation Committee, may form part of the final decision-making process regarding the award of bids.
7.2.4.4 Except for the position of chairperson, the Bid Adjudication Committee should not be established for a period exceeding 1 year should replacement skills be available. Each member’s individual appointment for a period not longer than another one year may be considered, should the skills not be available, but must be reviewed annually.
7.2.4.5 Each member must have a secundus where feasible in the case of a standing committee.
7.2.4.6 The SCM Unit is responsible to establish the Bid Adjudication Committee in conjunction with the Accounting Officer or delegate.
7.2.4.7 The delegated officials acting as award structures must be identified by rank in the delegated powers.
7.2.4.8 The Bid Adjudication Committee may be established for a period, not exceeding one (1) year.
7.2.4.9 The members of the Bid Adjudication Committee must be informed in writing of their appointment to the Committee.
7.2.4.10 Predetermined meetings at regular intervals must be held, but the Bid Adjudication Committee may also meet ad hoc if required.
7.2.4.11 Before the start of the each meeting, each member must declare its interest in writing pertaining to the specific bid(s) in question.
7.2.4.12 Should an interest be declared which constitutes a conflict or is regarded as material, the member must recuse him/herself as a member of the Bid Adjudication Committee. The SCM Unit must then identify a replacement member for the Committee if the Committee does not comply with the prescribed minimum of 4 Directors.
7.2.4.13 The SCM Unit must timely route the recommendations to the Bid Adjudication Committee for consideration.

7.2.4.14 The SCM Unit must perform secretariat functions for the Committee meetings.

### 7.3 COMPOSITION OF A BID ADJUDICATION COMMITTEE

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Bid Adjudication Committee must consist of at least four Directors of City of Matlosana and which must include:</td>
</tr>
<tr>
<td>• The Chief Financial Officer of City of Matlosana or if the CFO is not available, another manager designated by the Chief Financial Officer and reporting directly to the CFO.</td>
</tr>
<tr>
<td>• At least one supply chain management practitioner, who is an official of City of Matlosana.</td>
</tr>
<tr>
<td>• A technical expert in the relevant field who is an official of City of Matlosana, if City of Matlosana has such an expert.</td>
</tr>
<tr>
<td>• The Accounting Officer or delegate must appoint the chairperson of the Bid Adjudication Committee.</td>
</tr>
<tr>
<td>• If the chairperson is absent from the meeting, the members present must elect a member to preside at the meeting.</td>
</tr>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• The SCM Unit must, in conjunction with the Accounting Officer and other relevant stakeholders, identify the appropriate members to serve on the Bid Adjudication Committee. The identified members must be senior officials.</td>
</tr>
<tr>
<td>• Always ensure that sufficient financial expertise as well as supply chain expertise is represented on the Bid Adjudication Committee.</td>
</tr>
<tr>
<td>• Identify who shall be the nominated chairperson should the CFO not be available.</td>
</tr>
</tbody>
</table>

### 7.4 RESOLUTION OF DISAGREEMENTS ON AWARD OF CONTRACTS

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Where the Bid Adjudication Committee disagrees with the recommendation of the relevant Bid Evaluation Committee on the adjudication of a contract, the request with the recommendation of the Bid Evaluation Committee, the commentary and reasons of the Bid Adjudication Committee are to be submitted to the Accounting Officer for a final decision.</td>
</tr>
<tr>
<td>• The Accounting Officer may obtain advice as deemed necessary.</td>
</tr>
</tbody>
</table>

7.4.1 Should the Bid Adjudication Committee, after the recommendation has been referred back, not obtain consensus with the Bid Evaluation Committee on the final award of the bid, the final recommendations must be submitted to the Accounting Officer for a final decision.

7.4.2 The accounting officer may:
7.4.2.1 After due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee.

7.4.3 If the decision of the Bid Adjudication Committee is rejected, refer the recommendation back to that Committee for reconsideration.

7.4.4 The accounting officer may at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or the adjudication committee back to the committee for reconsideration of the recommendation.

7.4. Should the Accounting Officer decide to award a bid to a bidder other than the one recommended by the Bid Evaluation or Bid Adjudication Committee and the Bid Evaluation Committee did use the correct process to determine their recommendation, the accounting officer must, in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation, within 10 working days.

8 DISPOSAL COMMITTEE

8.1 FUNCTIONS OF A DISPOSAL COMMITTEE

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Inspect all items that appear on the disposal certificate.</td>
</tr>
<tr>
<td>➢ All members of the Committee must objectively evaluate the items that are submitted for disposal.</td>
</tr>
<tr>
<td>➢ Make recommendations on the following issues:</td>
</tr>
<tr>
<td>➢ Whether items should be disposed of.</td>
</tr>
<tr>
<td>➢ The appropriate disposal method.</td>
</tr>
</tbody>
</table>

8.1.1 The Disposal Committee subsequently convenes on a date previously arranged by the chairperson of the Disposal Committee.

8.1.2 After the inspection and evaluation of the items the Disposal Committee must make recommendations, which must be included on the disposal certificate.

8.1.3 The Committee must ensure that all disposal actions are accounted for in the financial records.

8.1.4 All the steps in the disposal process must be recorded on the disposal register.

8.1.5 The chairperson signs and dates the disposal certificate.

8.2 ESTABLISHMENT OF A DISPOSAL COMMITTEE

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<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ The Accounting Officer or delegate must establish and appoint one or more Disposal Committees and a chairperson on an ad hoc basis, as necessary.</td>
</tr>
</tbody>
</table>

8.2.1 The SCM Unit is responsible to establish the Disposal Committee.

8.2.2 The Disposal Committee must be established on an ad hoc basis for each requirement.

8.2.3 Once a disposal requirement is identified that should be satisfied, the SCM Unit must facilitate the establishment of a Disposal Committee.
8.2.4 The members of the Committee must be informed in writing of their appointment to the Committee.

8.3 COMPOSITION OF A DISPOSAL COMMITTEE

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ A Disposal Committee should consist of at least three officials.</td>
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<tr>
<td>☐ The following must be represented on the Committee for movable assets.</td>
</tr>
<tr>
<td>☐ The Accounting Officer must appoint the chairperson:</td>
</tr>
<tr>
<td>☐ The relevant commodity manager.</td>
</tr>
<tr>
<td>☐ An official proficient in logistics management.</td>
</tr>
<tr>
<td>☐ The relevant end user of the commodity considered for disposal.</td>
</tr>
<tr>
<td>☐ The following must be represented on the Committee for immovable assets:</td>
</tr>
<tr>
<td>☐ CFO as chairperson</td>
</tr>
<tr>
<td>☐ Manager; Budget and Treasury</td>
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<tr>
<td>☐ Manager Legal</td>
</tr>
<tr>
<td>☐ An official proficient in logistics management.</td>
</tr>
<tr>
<td>☐ The relevant end user/commodity manager of the commodity considered for disposal.</td>
</tr>
<tr>
<td>☐ Manager Supply Chain Management/ his or her delegate.</td>
</tr>
<tr>
<td>☐ An official who is in direct control of stores/equipment, is to be evaluated may not serve as a member of the Disposal Committee, but can assist the Disposal Committee in the evaluation process.</td>
</tr>
</tbody>
</table>

8.3.1 The SCM Unit must identify the appropriate officials as members of the Disposal Committee.

8.3.2 In addition to the abovementioned members of the Disposal Committee, the chairperson may at any time during the process of evaluation of specialized stores/ equipment, co-opt additional members who posses specialized knowledge in the relevant field in writing.

Section 9: Procurement Principles

1 PROCUREMENT PRINCIPLES

☐ City of Matlosana shall adhere to the procurement principles as noted hereunder.

Transparency The procurement process must be open and predictable and must afford each prospective bidder timely access to the same and accurate information

Equal treatment All bidders and providers must be treated equally throughout the whole procurement process and must be given access to the same information.

Effectiveness City of Matlosana must strive for SCM system effectiveness and must carry out its procurement processes as cost-effectively as possible while meeting the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement.

Efficiency City of Matlosana must strive to standardize and simplify procedures where appropriate to enhance SCM system effectiveness and must carry out its SCM processes as cost-effectively and efficiently as possible.
City of Matlosana must strive to build relationships with providers, must ensure good working practices and must encourage innovative solutions for providers.

**Competitiveness** City of Matlosana must satisfy its requirements through competition unless there are justifiable reasons to the contrary.

**Fairness** All bidders and contractors must be dealt with fairly and without unfair discrimination. Unnecessary constraints must not be imposed on bidders/contractors and commercial confidentiality must be protected.

**Ethics** All providers must be treated equally whilst promoting certain empowerment objectives, all stakeholders must conduct business and themselves professionally, fairly, reasonably and with integrity, all interests must be disclosed and all breach must be reported.

**Proportionality** The product/service requirements stipulated in the specification/terms of reference and the qualification requirements attached thereto must be appropriate, necessary and in reasonable proportion to the product/service being procured.

**Uniform application** City of Matlosana must ensure the application of a SCM policy and a streamlined SCM process and documentation that is uniformly applied by City of Matlosana, all things being equal. The procurement process must be simple and adaptable to advances in modern technology to ensure efficiency and effectiveness.

**Accountability** Each practitioner is being accountable for his/her decisions and actions relative to their SCM responsibilities, the SCM process as well as in the implementation of concluded contracts. City of Matlosana must have a system, when warranted by circumstances, to investigate and hold liable both employees and relevant private parties dealing with City of Matlosana, for their decisions and actions relative to their procurement responsibilities, the procurement process as well as in the implementation of concluded contracts.

**Openness** must ensure a procurement process and a subsequent contract award and implementation according to the predetermined specification in line with the best practice procurement principles.

**Value for money** must achieve value for money through the optimum combination of life cycle cost and quality (or fitness for purpose) to meet the customer’s requirements while maximising efficiency, effectiveness and flexibility. City of Matlosana must apply the following TCO philosophy to compare the procurement of goods and services in achieving value for money.

TCO = Price + Administration (maintenance and process) + Quality/Usage + Supplier Value-add.

**Commitment to safety, health and the environment**

City of Matlosana is committed to the health and safety of its personnel and its providers in the application of its SCM process. City of Matlosana is committed to the preservation of the environment, minimising pollution and the improved use of natural resources in the application of its SCM processes and more specifically in the design of the specifications/terms of reference for each requirement. City of Matlosana must apply preventative measures in situations of scientific uncertainty where a course of action could harm the environment.
Section 10: Ethics in Supply Chain Management

1 ETHICAL DIRECTION

POLICY

- City of Matlosana commits itself to a policy of fair dealing and integrity in the conducting of its SCM activities.
- All SCM officials and role players in the SCM system are required to promote:
  - Mutual trust and respect.
  - An environment where business can be conducted in a fair and reasonable manner and with integrity.
  - All SCM officials must ensure that they perform their duties efficiently, and effectively, in accordance with the relevant legislation and regulations.
- City of Matlosana will abide by the City of Matlosana Code of Ethical Standards and the Code of Conduct for SCM practitioners and other role players as issued by National Treasury in 2005 for municipal entities and will direct all SCM practitioners and role players in their conduct within and with City of Matlosana. Non-compliance is subject to the appropriate action.

1.1 An City of Matlosana Code of Ethical Standards must be established which should provide at least for officials and other role players in the supply chain management system.

1.2 The City of Matlosana may adopt the National Treasury’s Code of Conduct for SCM practitioners and other role players involved in SCM. When adopted, such Code of Conduct becomes binding on all officials and other role players involved in the implementation of the SCM policy of the municipality.

2 THE HIGHEST ETHICAL STANDARDS

POLICY

- An official of the SCM Unit, who becomes aware of a breach of or failure to comply with any aspect of the SCM system, must immediately report the breach or failure to the Accounting Officer in writing.
- The Accounting Officer must take all reasonable steps to prevent abuse of the SCM system.
- All allegations against a practitioner or any other role player, of corruption, improper conduct or compliance failure with the SCM system must be investigated by the Accounting Officer or the delegate who must, when justified, take steps against such official or other role player a.
- Report any conduct that may constitute an offence to the SAPS.

2.1 All officials of City of Matlosana or other role players involved in the implementation of the SCM:

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

2.1.2 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 that is not in line with the gifts and hospitality policy.

2.1.3 Notwithstanding the above, must declare to the Accounting Officer or delegate details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person.
2.1.4 Must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

2.1.5 Must report to the accounting officer in writing any alleged irregular conduct in the supply chain management system which that person may become aware of, including:

2.1.5.1 Any alleged fraud, corruption, favouritism or unfair conduct.

2.1.5.2 Any alleged contravention of regulation 47(1).

2.1.5.3 Any alleged breach of the code of ethical standards.

2.1.6 Must treat all providers and potential providers equitably.

2.2 A breach of the code of conduct adopted by City of Matlosana must be dealt with in accordance with schedule 2 of the Systems Act.

2.3 All SCM officials and other role players must comply with the highest ethical standards.

2.4 Preserve the highest standards of honesty, impartiality and objectivity.

2.5 The Accounting Officer must take all reasonable steps to prevent abuse, corruption and collusion through at least regular internal audit reviews and external audit as well as risk assessments in the supply chain environment.

2.6 The AO must investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the supply chain management policy and must:

2.6.1 Take steps against such official or other role player and inform the National Treasury of such steps.

2.6.2 Report any conduct that may constitute an offence, to the South African Police Services.

2.7 The Accounting Officer or the delegate must ensure that City of Matlosana considers all complaints received and shall respond thereto in a timely manner.

2.8 All bidders and contractors must be made aware of the ethical standards of City of Matlosana, its expectations of them and the consequences of non-compliance. The application of these standards by bidders that City of Matlosana does business with must be promoted.

3 DECLARATION OF INTEREST

**POLICY**

- A SCM practitioner or other role player, 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 City of Matlosana.
- Immediately withdraw from participating in any manner whatsoever in the process relating to the contract.
- A SCM official must recognise and disclose any conflict of interest that may arise.

3.1 All SCM officials and other role players must recognise and disclose any interest and determine any possible conflict that may arise.

3.2 SCM officials, to the extent required by their position, should declare any business, commercial and financial interest or activities undertaken for financial or indirect gain that may raise a possible conflict of interest. The
Accounting Officer or the delegate must determine whether the interest declared, constitutes a conflict of interest in circumstances where it is not clear that it presents a conflict.

3.3 SCM officials or other role players may not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

3.4 SCM officials may not take improper advantage of their previous office after leaving their official position.

3.4.1 All declarations must be recorded in a register, which the Accounting Officer or delegate must keep for this purpose.

3.4.2 All declarations kept by the accounting officer must be made to the mayor who must ensure that such declarations are recorded in the register and contains 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.

3.4.3 All applications must be recommended by the Director, Manager or CFO of the applicant and be approved or rejected by the Accounting Officer/ his/ her delegate

4 EQUAL TREATMENT

POLICY

☐ All SCM practitioners and other role players must treat all suppliers and potential suppliers equally.

4.1 All SCM officials, particularly those dealing directly with service providers/suppliers or potential service providers/suppliers, are required to:

4.1.1 Provide all assistance in the elimination of fraud and corruption.

4.1.2 Be fair, efficient, firm and courteous.

4.1.3 Achieve the highest professional standards in the evaluation and adjudication of bids and contracts.

5 ACCOUNTABILITY

POLICY

☐ A SCM practitioner and other role players must be scrupulous in their use of public/ organisational property and funds.

5.1 All SCM officials and other role players are accountable for their decisions and actions to the public as well as to City of Matlosana.

5.2 The Accounting Officer or the delegate is fully responsible and will be held accountable for any expenditures relating to SCM within its area of responsibility.

5.3 Officials should not make any false or misleading entries into the accounting system for any reason whatsoever.
### 6 OPENNESS

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ Officials must give reasons for their decisions and actions.</td>
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### 7 CONFIDENTIALITY

<table>
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<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ Any information that is the property of City of Matlosana or its suppliers/service providers must be protected at all times.</td>
</tr>
<tr>
<td>☐ No information regarding any bid/contract/bidder/contractor may be revealed.</td>
</tr>
</tbody>
</table>

7.1 Matters of a confidential nature in the possession of supply chain or other officials must be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions should also apply after separation from service.

7.2 Any information that is the property of City of Matlosana or its suppliers/service providers must be protected at all times.

### 8 INDEPENDENCE

<table>
<thead>
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<tbody>
<tr>
<td>☐ All SCM practitioners and role players may not use their position for private gain or to improperly benefit another person.</td>
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</table>

8.1 If a SCM official or other role player's close family member, partner or associate of such official or role player, has any private or business interest in any bid to be submitted or to be adjudicated, such interest must be disclosed and recorded and the party with the interest must withdraw from participating in the evaluation process relating to the bid if there is a conflict of interest.

### 9 GIFTS AND HOSPITALITY

<table>
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<tbody>
<tr>
<td>☐ No person who is a provider of goods or services or prospective provider of goods or services to City of Matlosana, or a recipient or prospective recipient of goods disposed, or to be disposed of, by City of Matlosana, may either directly or through a representative or intermediary promise, offer or grant any reward, gift, favour or hospitality to:</td>
</tr>
<tr>
<td>☐ Any official of City of Matlosana.</td>
</tr>
<tr>
<td>☐ Any other role player involved in the implementation of the supply chain management policy of City of Matlosana.</td>
</tr>
<tr>
<td>☐ Any inducement or reward to City of Matlosana for or in connection with the award of a contract.</td>
</tr>
<tr>
<td>☐ All SCM practitioners and role players must ensure that officials do not compromise the credibility or integrity of the SCM system through the acceptance of gifts or hospitality or any other act.</td>
</tr>
<tr>
<td>☐ City of Matlosana must maintain a gift and hospitality register.</td>
</tr>
</tbody>
</table>
Gifts above a certain threshold determined by the Council must be approved for acceptance at the level stipulated in the Delegation of Authority document.

9.1 Officials must exercise caution in the acceptance of any gifts.
9.2 City of Matlosana must maintain a gift register in which gifts and hospitality received must be recorded in line with the organisational policy regardless of value.
9.3 City of Matlosana must determine a value level for gifts that officials may accept and which gifts and/or value level may not at all be considered for acceptance.
9.4 The accounting officer must promptly report any alleged contravention to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
9.5 These restrictions do not apply to gifts less than R350 in value.

10 FRAUD AND CORRUPTION

POLICY

☐ The Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004 must be adhered to.
☐ City of Matlosana must ensure that all officials, clients and other stakeholders (including providers) are made aware of the implications of The Prevention and Combating of Corrupt Activities Act by way of its bidding processes.
☐ Fraud prevention plans must be instituted.
☐ A SCM practitioner or other role player must assist the Accounting Officer in combating corruption and fraud in the SCM system.
☐ The Accounting Officer or the delegate must reject a proposal for adjudication if he/she determines that the provider recommended for adjudication, has engaged in corrupt or fraudulent activities in competing for the contract in question.

10.1 The Constitution provides for rights such as just administration and access to information and requires high standards of ethics within public administration. Recent legislation dealing with transparency and anti-corruption measures strengthen Government’s ability to combat corruption and also protects employees from making disclosures against their employers in both the public and private sectors.
10.2 Contractors must observe the highest standard of ethics during the selection and execution of the contract.
In terms of this provision, corrupt and fraudulent practices can be defined as follows:
10.2.1 Corrupt practice means the offering, giving, receiving or soliciting of anything of value to influence the action of a public official in the selection process or in contract execution.
10.2.2 Fraudulent practice means a misrepresentation of facts in order to influence a selection process or the execution of a contract to the detriment of the Accounting Officer and includes collusive practices designed to
establish prices at artificial, non-competitive levels and to deprive the Accounting Officer of the benefits of competition.

10.3 Contractors must assist in combating corruption in SCM in line with the Prevention and Combating of Corrupt Activities Act, by not giving, receiving or soliciting any item of value to influence the action of an official dealing with SCM.

10.4 Contractors and City of Matlosana officials must assist in combating procurement fraud through awareness, vigilance and consistent assessment in line with the Prevention and Combating of Corrupt Activities Act by not misrepresenting facts in order to influence a procurement process or the execution of a contract to the detriment of City of Matlosana, including collusive practices.

10.5 All SCM practitioners and other role players must assist the Accounting Officer in combating corruption and fraud.

10.6 The Accounting Officer must insist that a provision is included in the contract agreement, requiring contractors to permit the Accounting Officer or delegate to inspect their accounts and records relating to the performance of the contract and to have them audited by auditors appointed by the Accounting Officer or delegate.

11 COMBATIVE PRACTICES

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<tr>
<td>☐ The use of combative practices must not be allowed.</td>
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11.1 Combative practices include, but are not limited to:

11.1.1 Suggestions of fictitious lower quotations.
11.1.2 Reference to non-existent competition.
11.1.3 Exploiting errors in bids.
11.1.4 Soliciting bids from bidders whose names appear on the list of restricted bidders/suppliers/persons.

11.2 The use of combative practices is unethical and illegal and must be avoided at all costs.

12 INTERNAL ABUSE OF PREFERENTIAL PROCUREMENT SYSTEM

<table>
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<th>POLICY</th>
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<tbody>
<tr>
<td>☐ The Accounting Officer must ensure that the preferential procurement system is not abused for any purpose, neither for the benefit of City of Matlosana nor for the benefit of any potential provider/contractor or individual.</td>
</tr>
<tr>
<td>☐ All conduct, dealings and actions must be bona fide.</td>
</tr>
<tr>
<td>☐ Any employee suspected of acting contrary to this policy, must be dealt with in terms of the disciplinary code of City of Matlosana.</td>
</tr>
</tbody>
</table>

12.1 No official of City of Matlosana may be involved in or promote the abuse of the preferential procurement system.

12.2 Internal control mechanisms may have as objective to at least try and avoid abuse of the system internally.
13 EXTERNAL ABUSE OF PREFERENTIAL PROCUREMENT SYSTEM, INCLUSIVE OF FRONTING

City of Matlosana must vigorously pursue all legal remedies available in the event that a provider abused the preferential procurement points system, particularly through, for example, but not limited to the following ways:

- Contravening Regulation 13 of the PPPFA.
- Has promised, offered or given a bribe during the bidding process and/or after conclusion of the contract.
- Has acted in a fraudulent manner or in bad faith or in any other improper manner during the bidding process or after conclusion of the contract.
- That an agreement was entered into with the contractor on the strength of information furnished by him/her, and it became apparent after conclusion of such agreement that the information provided was incorrect.

City of Matlosana will endeavour, where possible, to identify fronting before a contract is awarded.

To protect both parties to an agreement, potential providers, contractors and government officials must be made aware of the implications of any contraventions.

Potential providers must be informed via the conditions of contract of implications of contraventions.

Where City of Matlosana becomes aware of a possible fronting case, the process in accordance with the Constitution, the rules of Administrative Law and the Promotion of Administrative Justice Act, must be followed as a starting point.

Where, after award of a contract, it becomes evident that the award was made based on incorrect information constituting fronting; the appropriate action must be taken in accordance with all legal remedies available.

13.1 Where, after award of a contract, it becomes evident that the award was made on incorrect information constituting fronting; the appropriate action must be taken in accordance with all legal remedies available, especially the Prevention and Combating of Corrupt Activities Act and the Promotion of Administrative Justice Act.

13.2 Where City of Matlosana becomes aware of a possible fronting case, the following process that is in accordance with the Constitution, the rules of Administrative Law and the Promotion of Administrative Justice Act, should be followed as a starting point:

13.2.1 City of Matlosana must inform the bidder/contractor of the alleged/ suspected offence, i.e.:

13.2.1.1 That he/she is suspected of contravening Regulation 13 of the PPPFA or;
13.2.1.2 Has promised, offered or given a bribe during the bidding process and/or after conclusion of contract; or
13.2.1.3 Has acted in a fraudulent manner or in bad faith or in any other improper manner during the bidding process or after conclusion of contract; or
13.2.1.4 That an agreement was entered into with the contractor on the strength of information furnished by him/her, and it became apparent after conclusion of such agreement that the information provided was incorrect.

13.2.2 The bidder/contractor must be informed of the recourse sought.

13.2.3 The bidder/contractor must also be afforded an opportunity to state its case.
13.2.4 City of Matlosana must follow the requirements for procedural fairness as outlined in Section 3 of the Promotion of Administrative Justice Act, 3 of 2000. Briefly it states:

13.2.4.1 An administrator must give a person adequate notice of the nature and purpose of the proposed administrative action.

13.2.4.2 A reasonable opportunity to make representations.

13.2.4.3 A clear statement of the administrative action.

13.2.4.4 Adequate notice of any right of review or internal appeal, where applicable.

13.2.4.5 Adequate notice of the right to request reasons in terms of Section 5 of this Act.

13.3 City of Matlosana must:

13.3.1 Check the National Treasury’s database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector.

13.3.2 Reject any bid from a bidder:

☐ 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.

☐ Whose municipal rates and taxes or municipal service charges owed to the municipality, or other municipalities, are in arrears for more than three months.

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

13.3.3 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.

13.3.4 Cancel a contract awarded to a person if:

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

☐ 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.

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

☐ Has abused the supply chain management system of City of Matlosana or has committed any improper conduct in relation to such system.

☐ Has been convicted for fraud or corruption during the past five years.

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

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

13.4 The accounting officer must inform the Provincial Treasury in writing of any actions taken in terms of the above paragraphs.
14 SPONSORSHIPS

POLICY

☐ The accounting officer must promptly disclose to the National Treasury and the Provincial Treasury any sponsorship promised, offered or granted to City of Matlosana, whether directly or through a representative or intermediary, by any person who is:

☐ A provider of goods or services or prospective provider of goods or services to City of Matlosana

☐ A recipient or prospective recipient of goods disposed, or to be disposed of, by City of Matlosana

15 OFFENCES

15.1 The accounting officer is guilty of an offence if he/she:

15.1.1 Deliberately or in a grossly negligent way:

15.1.1.1 Contravenes or fails to comply with a provision of sections 61(2) (b), 62(1), 63(2) (a) or (c), 64(2) (a) or (d) or 65(2) (a), (b), (c), (d), (f) or (i) of the MFMA.

15.1.1.2 Fails to take all reasonable steps to prevent irregular or fruitless and wasteful expenditure.

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

☐ The management of City of Matlosana’s assets.

☐ The receipt of money.

☐ The supply chain management system.

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

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

15.1.2.2 Made public.

15.2 A Strategic Manager or other official of City of Matlosana 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 Director or official deliberately or in a grossly negligent way contravenes or fails to comply with a condition of the delegation.

15.3 An official of City of Matlosana, a member of the Council of City of Matlosana or any other person is guilty of an offence if that person deliberately or in a grossly negligent way:

15.3.1 Impedes an accounting officer from complying with a provision of the MFMA.

15.3.2 Contravenes a provision of section 115(2), 118 or 126(5) or

15.3.3 Provides false or misleading information for the purposes of any document which must in terms of a requirement of the MFMA be:

15.3.3.1 Submitted to the Council, mayor, Accounting Officer, the Auditor-General or the National Treasury.

15.3.3.2 Made public.

15.4 No person may:

15.4.1 Amend or tamper with any bids, quotations, and contracts after its submission.
16 CONDUCT OF MEMBERS OF BID COMMITTEES

POLICY

☐ Conduct of all members and non-members must be in accordance with the relevant legislative environment, the National Treasury's Code of Conduct for SCM practitioners and instructions issued from time to time by National Treasury in this regard.

☐ A member of any Bid Committee, technical advisor or user representative who contravenes or fails to comply with the afore-mentioned must summarily be dismissed from its role and appropriate steps taken against the person.

16.1 It is the responsibility of the SCM Unit to ensure that all members of Bid Committees are aware of the required conduct and that they are provided with a copy of the relevant documentation regulating the behaviour.

16.2 Should a member fail to comply, the SCM Unit must draw in the relevant role players such as Human Resources to deal with the issue and to address it appropriately.

17 CONDUCT OF MEMBERS OF THE COUNCIL AND OFFICIALS

POLICY

☐ No Council members or officials exercising a power or performing a function in terms of the MFMA, is liable in respect of any loss or damage resulting from the exercise of that power or the performance of that function in good faith.

Section 11: Risk Management

1 RESPONSIBILITY FOR RISK MANAGEMENT

POLICY

☐ The Accounting Officer must ensure that City of Matlosana has and maintains an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM system.

☐ Aspects of risk management must be allocated to the CFO, the SCM practitioners, the internal audit function and the Audit Committee, each of which shall ultimately be accountable to the Accounting Officer or the Council for the discharge of their responsibilities.

1.1 Risk and risk management is a key responsibility of the Accounting Officer who should receive advice thereon from the internal audit function and the Audit Committee.

1.2 Risk management is, however, a continuous and proactive process that relates to all organisational activities at all levels. All SCM practitioners must have a thorough understanding of the risks involved in the activities under their control and actively and pro-actively work towards managing these risks. Each practitioner has a responsibility toward risk management.
2 ELEMENTS OF RISK MANAGEMENT

2.1 Risk management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. Risk management forms an integral part of the SCM process.

2.2 The elements of risk management therefore are:

2.2.1 Assessing the nature and extent of the risks associated with City of Matlosana’s operations.

2.2.2 Deciding on an acceptable level of loss or degree of failure.

2.2.3 Deciding how to manage/minimise/mitigate the risk.

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

3 APPLICATION OF RISK MANAGEMENT IN SCM

POLICY

☐ The Accounting Officer or delegate must determine City of Matlosana’s risk aptitude.

☐ Risks must be identified upfront on a case-by-case basis.

☐ Risks must be allocated to the party best suited to manage such risks.

☐ City of Matlosana must accept the cost of risks where the cost of transferring the risk is greater than that of retaining such risk and it must transfer the risk where this is not the case.

☐ City of Matlosana must pro-actively manage risks and provide for adequate cover for residual risks.

☐ The bid and contract documentation must clearly and unambiguously state to whom the risk has been allocated and who should take responsibility for managing it.

3.1 Risks must be identified and assessed together with the identification and compilation of the requirement and the specification and are essentially driven by the objectives that must be achieved.

3.2 Decisions must be taken with regard to minimising City of Matlosana’s exposure to risk, as well as to the potential effects of the risks. The focus must be on an approach involving preventing risks from materialising, detecting the effects of risks as soon as possible and correcting or recovering from the consequences.

3.3 Risk management decisions must continuously involve a cost benefit analysis (considerations of economy). The cost of controlling (minimising) a risk must not exceed the benefits to City of Matlosana. Benefits can include the objective or subjective measurement of the cost to City of Matlosana if the particular risk should materialise. (If it is not controlled, what is the potential cost to City of Matlosana?).

3.4 The controlling (minimising) of identified risks essentially refers to the development and implementation of an internal control plan.

3.5 Risk management entails, inter alia, a management culture that accepts that all business opportunities entail risk taking. The trade-off between success and failure and to decide what is an acceptable risk (having regard to its cost and other social or political factors) that a programme might not achieve any or all of its objectives.
3.6 A major component of risk management is the establishment of a fraud prevention plan, by the Manager Finance, 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 City of Matlosana.

3.7 The processes to be followed should ensure that irregular and fruitless and wasteful expenditure and other losses are prevented.

3.8 Risk must be identified on a case-by-case basis. It would however be good to build a generic list of potential risks over time that can be considered for each requirement.

3.9 Allocate the risk to the party best suited to manage such risks. This is then either City of Matlosana or the contractor.

3.10 City of Matlosana must bear the cost of risks where the costs of transferring risk is greater than that of retaining such risk and transfer to risk where this is not the case.

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

3.12 Bid and contract documentation must clearly and unambiguously assign relative risks to the relevant bidding and contracting parties.

3.13 Risk management must form part of the business plan for the acquisition of all goods and services.

3.14 The processes must ensure that expenditure is in accordance with the operational policies of City of Matlosana to avoid the risk of unauthorised expenditure.

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

3.16 GUARANTEES

3.16.1 Performance guarantees should be commensurate with the degree of contractual risk to which City of Matlosana is exposed.

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

3.16.3 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 City of Matlosana's costs relating to such failure are likely to be recovered.

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

3.16.5 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.

3.17 PROJECT MANAGEMENT

3.17.1 To be firstly effective, risk management could be managed as a project where feasible, with written objectives, milestones and resources (people, time, finances, etc). The following aspects are highlighted:
3.17.1.1 Integrated control is essential to achieve the desired result.
3.17.1.2 The scope, timeframes, cost, other resources must all be investigated and documented.
3.17.1.3 The quality of the outcome must also be identified and quantified.
3.17.1.4 Risk management policies, plans and procedures, including duties and responsibilities, must be effectively communicated to all concerned.
3.17.1.5 All real or potential risks must be identified.

Section 12. Demand Management

1 SYSTEM OF DEMAND MANAGEMENT

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<thead>
<tr>
<th>POLICY</th>
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<tr>
<td>- The demand management system must ensure that the resources required supporting the strategic and operational commitments of City of Matlosana are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of City of Matlosana.</td>
</tr>
<tr>
<td>- Demand management must translate the multi-year business plan of City of Matlosana into current and future needs and to cost and budget for it.</td>
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<tr>
<td>- An established system will ensure that City of Matlosana can coherently and timely plan for its requirements.</td>
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</table>

1.1 Duties of Directors

1.1.1 Each Director shall during the preparation of his directorate’s estimates for the budget year:

1.1.1.1 determine which functions it must perform;

1.1.1.2 determine the products and services it must provide in the performance of those functions;

1.1.1.3 conduct a condition assessment of the assets managed by his directorate;

1.1.1.4 on the basis of its analysis in terms of the above, determine its financial needs during the budget year for:

(a) maintaining existing assets at an acceptable level calculated to ensure the continued productivity of the asset in question and minor repairs;

(b) repairing existing assets;

(c) refurbishing or renovating existing assets;

(d) extensive repairing of existing assets;

(e) replacing existing assets; and

(f) acquiring new assets.
2 ESTABLISHMENT OF A CROSS-FUNCTIONAL TEAM

POLICY

- Demand management or planning must be a cross-functional exercise that brings the supply chain practitioner closer to the end-user and ensures that value for money is achieved.
- This exercise must involve finance; SCM representing procurement, logistics and disposal; Human Resources and end-users.
- The cross-functional team must at least consist of the following expertise:
  - Manager: Supply Chain Management.
  - Relevant end-user.
  - Relevant commodity manager.
  - Human resource specialist.
  - Financial specialist.
  - Information technology specialist.
  - SCM specialist(s) covering all areas of SCM.
- The SCM Unit must take responsibility for the appointment of the cross-functional team.
- The SCM official responsible for the demand management function coordinates the liaison with and inclusion in the cross-functional team.

2.1 The SCM Unit must facilitate the establishment of the cross-functional team through its demand management function.

2.2 Ensure that the team consists of the relevant expertise, but ensure that the size of the team is not of such a nature that it cannot function properly. It may be efficient to include the cross-functional commodity teams for this purpose.

2.3 The Team must meet as required in line with the planning and budgetary process of City of Matlosana and must execute all other activities to be aligned with the timing of the planning and budgeting process.

3 MULTI-YEAR BUSINESS PLANNING PROCESS

POLICY

- The SCM Unit must participate in the multi-year business planning process.
- Each user group must perform an annual needs analysis of strategic objectives and programmes involving SCM, Human Resources and Finance to determine strategic sourcing that will ultimately provide best value for money.

3.1 The multi-year business plan must set out what City of Matlosana intends doing in the upcoming financial year and the following two years in line with the medium term expenditure framework (MTEF).

3.2 The purpose of the multi-year business budget is to spell out the funds City of Matlosana requests in order to deliver on the measurable objectives and service delivery targets set out in the multi-year business plans.

3.3 Multi-year business planning and prioritisation is the starting point for preparation of the multi-year business plan submissions as it guides organizational reprioritisation within the medium term baseline allocations. This plan also provides the rationale for policy options regarding changes to baseline allocations over the next 3-year period.
3.4 The integration of multi-year business planning, budgeting and monitoring of service delivery performance, coupled with effective financial information and advice, will enhance the link between the services that City of Matlosana provide and the benefits and cost of such services.

3.5 The multi-year business plan must:

3.5.1 Cover a period of three years and be consistent with City of Matlosana’s medium term expenditure estimates.

3.5.2 Provide for strategic objectives.

3.5.3 Include the measurable objectives and outcomes for City of Matlosana’s programmes.

3.5.4 Provide for performance measures and targets.

3.5.5 Include details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets, if applicable.

3.5.6 Include multi-year projections of income and projected receipts from the sale of assets.

3.6 The preparation of estimates must be a participative process whereby all end users and SCM practitioners are involved.

4 THE MULTI-YEAR BUSINESS PLANNING SUBPROCESSES

4.1 The multi-year business planning process has the following 8 sub-processes:

4.1.1 Assessment of current and future needs.

4.1.2 Assessment of available assets, determining the net requirements.

4.1.3 Analysis of past expenditure, determining the availability of specifications/terms of references.

4.1.4 Analysis of the supplying industry.

4.1.5 Determine optimum method to satisfy needs.

4.1.6 Determine inventory management inputs.

4.1.7 Determine a sourcing strategy.

4.1.8 Formulation of the budget inputs.

5 ASSESSMENT OF CURRENT AND FUTURE NEEDS

POLICY

The multi-year business plan must be analysed in terms of goods, works and services required over the short and medium term.

The frequency of the needs and the critical delivery dates must be established to support the SCM process and the budgetary process.

5.1 The official responsible for the demand management function must coordinate the needs analysis and costing of each and every programme in City of Matlosana. To do this the following process must be followed:

5.1.1 The end-user gives an overview of the detail of his/her multi-year business plan.

The human resource and financial experts give their guidelines applicable to this plan.
5.1.2 The cross-functional team performs a needs analysis to determine the total needs required to support the multi-year business plan. The activities within the cross-functional team may be divided and the whole team need not perform all activities together. The needs analysis may include the under mentioned activities:

5.1.2.1 Understanding the future needs in terms of quantity and specification.
Forecasting techniques may be utilised in order to determine quantities required should this be warranted by the size and the quantity of the requirement of City of Matlosana.
5.1.2.2 Frequency of the needs.
5.1.2.3 Critical delivery dates.
5.1.2.4 Budgetary requirements.
5.1.2.5 The need for foreign exchange arrangement and coordination.
5.1.3 Planning for Information Technology requirements.
5.1.4 Linking the requirements with the baseline allocations over the next 3-year period.

6 ASSESSMENT OF AVAILABLE ASSETS

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<tr>
<td>□ Determine details of available stock, goods in transit, redundant and obsolete assets, and assets to be renewed as well as current support services.</td>
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</table>

6.1 To do obsolescence planning:
6.1.1 Obsolescence cost is the difference between the original cost of the item and its salvage value. This only needs to be applied if determined that items may become obsolete.
6.2 To do renewal planning.
6.2.1 The asset renewal planning involves the assessment of existing assets and planned acquisitions against service delivery requirements. This may for example be the replacement of old technology computers with up to date computers.
6.3 Determining an asset strategy.
6.3.1 Asset management decisions should be integrated into the multi-year business planning process. Following an evaluation of lifecycle costs and the benefits and risks associated with each option, the strategy should identify the most appropriate approach for meeting programme delivery needs.
6.4 Determine appropriate mechanisms for accounting and reporting.
6.5 Determine the net requirements needed (the difference between total needs required and the available assets).
7 ANALYSIS OF PAST EXPENDITURE

<table>
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<tr>
<td>□ Determine who were providers of goods and services and their locations.</td>
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<tr>
<td>□ Determine the prices paid.</td>
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<tr>
<td>□ Confirm the availability of relevant specifications/terms of reference.</td>
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7.1 A spend analysis will provide input into sourcing strategies such as consolidated buying and to gain an understanding of historical spend patterns of different items/commodities and services.

7.2 Past expenditure on the relevant goods and services must be carefully analysed and the following aspects carefully considered:

7.2.1 What goods or services have been procured in the past and what were the specifications/terms of reference linked to it?

7.2.2 Was the procurement of these goods or services in line with City of Matlosana’s annual budget plan for procurement?

7.2.3 If the goods or services were available on contract, were they procured from contracted suppliers?

7.3 Expert assistance may be sought when compiling specifications or terms of reference. The following aspects must be taken into consideration:

7.3.1 Specifications/terms of reference are to be based on relevant characteristics and/or performance requirements.

7.3.2 Specifications must permit the acceptance of offers of goods that have similar characteristics that will be capable of providing equivalent performance.

7.3.3 The quality of required commodities should not be over-specified to the extent that fair competition is not possible.

7.4 The level of effort put into this activity will be dependent on the importance of the requirement and the quantity required in the foreseeable future.

8 ANALYSIS OF SUPPLYING INDUSTRY

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<tr>
<td>• Determine names of suppliers/service providers for the commodity.</td>
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<tr>
<td>• Determine the available specifications/terms of reference.</td>
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<tr>
<td>• Determine the location of goods as well as lead and delivery times.</td>
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8.1 The following aspects must be taken into consideration:

8.1.1 What exactly is required in terms of goods and services?

8.1.2 What is the estimated consumption in terms of quantity and loss?

8.1.3 Are the goods and services required currently available in the supplying industry?

8.1.4 Are the goods subject to shelf life limitations?

8.1.5 Who were the past suppliers?
8.1.6 Who are potentially the future suppliers?
8.1.7 What are the delivery, and lead times of each commodity?

9 DETERMINE THE OPTIMUM METHODS TO SATISFY NEEDS

9.1 Calculate the lifecycle cost (LCC) of each commodity:
9.1.1 Lifecycle costing must include costs from date of purchase until the disposal phase.
9.2 Determine cost saving levers:
9.2.1 The levers for the saving of costs are transversal and therefore applicable to all SCM functions. Cost saving levers can be applied in the following areas:
9.2.1.1 Quicker and more effective and efficient procurement.
9.2.1.2 Just-in-time principle.
9.2.1.3 Value for money.
9.2.1.4 Term contracts for repetitive requirements.
9.2.1.5 Streamlined procedures and control measures.
9.2.1.6 Establishing trained and competent SCM officials.
9.2.1.7 Effective use of procurement stages.
9.2.1.8 Discount for early payments.
9.2.1.9 The regular management of cash flow.
9.3 Determine the net present value of each project.
9.4 Make use of economies of scale.
9.5 Determine total cost of ownership (TCO).
9.5.1 The TCO is used for decisions on ownership of assets. All costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply of the service.
9.5.2 The cost of ownership should be projected over several years to obtain a balanced result about the actual costs and the influence of the decision on future budgets.
9.6 The optimum method to satisfy the needs must be evaluated by the following dimensions to determine the optimum method:

9.6.1 Equity
9.6.1.1 Measuring equity would assist monitoring the extent to which City of Matlosana has achieved and been able to maintain an equitable supply of comparable services across race groups, regions, and urban and rural areas.

9.6.2 Efficiency
9.6.2.1 Measuring efficiency seek to reflect how productively resources are translated into service delivery.

9.6.3 Economy
9.6.3.1 Measuring economy looks at the cost of inputs and mode of production to evaluate whether it is cost-effective.
9.6.4 Effectiveness
9.6.4.1 Indicators of effectiveness seek to reflect how well the outputs contribute to the achievement of the desired outcomes/objectives/goals.

9.6.5 Value for money
9.6.5.1 Indicators of value for money explore people’s perceptions on whether resources have been used effectively to impact upon specific outcomes.

10 INVENTORY MANAGEMENT INPUTS

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<tr>
<td>(a) Determine minimum and maximum stock levels per item.</td>
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<td>(b) Determine safety stock per item.</td>
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<tr>
<td>(c) Determine the reorder point per item.</td>
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<tr>
<td>(d) Determine the fill rate per item.</td>
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<tr>
<td>(e) Determine the economic order quantity per item.</td>
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10.1 The question of “how much” is required, should be answered based upon balancing storage cost and ordering cost, which is resolved with the application of an economic order quantity model.
10.1.1 This may, for example, be applied to stationery and computers. In the case of stationery, one will have to determine what number of for instance paper boxes may be ordered at a time to utilise the available storage space.

11 SOURCING STRATEGY

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<tr>
<td>(a) The sourcing strategy must determine where the goods and services may be obtained and the appropriate selection mechanism.</td>
</tr>
<tr>
<td>(b) The sourcing strategy must address value for money principles and must be determined per commodity.</td>
</tr>
<tr>
<td>(c) Sourcing strategies must be approved by the Council of City of Matlosana.</td>
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11.1 Determine the lifecycle cost of each commodity. Lifecycle cost is a tool to apply the total cost of ownership (TCO) principle. Lifecycle costing includes costs from date of purchase until the requirement is disposed of.
11.2 Determine the TCO for each commodity. TCO is widely used for decisions on ownership of assets. It is based on the fact that 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 or the service.
11.3 Setting benchmarks for complying with targets.
11.4 Commence with the identification of contract conditions.
11.5 A sourcing strategy provides an indication of where the required goods and/or services may be procured, in the best interest of City of Matlosana.
11.6 Requirements are not necessarily satisfied from outside sources only. All possible sources of supply should be investigated.
11.7 The most appropriate method to satisfy the requirement must be established. In this regard, the range of processes as defined in the subsequent sections must be considered.
11.7.1 One aspect is for instance to investigate the possibility of placing single orders with staggered deliveries in order to meet requirements as they arise, or utilizing the just-in-time principle.
11.8 Each sourcing strategy per commodity must, when determined, be approved by the Council of City of Matlosana.

12 FORMULATION OF THE BUDGET INPUTS

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<tr>
<td>The budget covers three main elements, namely quantity, price and time, with regard to the multi-year business plan and annual budget plan.</td>
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12.1 The cross-functional team is responsible to give inputs during the preparation step of the following budgets:
12.1.1 The multi-year business plan.
12.1.2 The annual budget plan.

13 ANNUAL BUDGET PLAN

<table>
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<tbody>
<tr>
<td>(a) The SCM Unit must participate in the annual budget planning process.</td>
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<tr>
<td>(b) The first year of the multi-year business plan is known as the annual budget plan. It must provide a sufficiently detailed quantification of outputs and resources, together with service delivery indicators. The annual budget plan must not be a wish list, but must be flexible and adjustable while remaining within the MTEF allocation.</td>
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13.1 The purpose of the annual budget plan is to plan the implementation of the multiyear business plan, the budget and other management objectives. It is likely that annual budget plans will be developed for each programme within City of Matlosana and that each Manager is accountable for its annual budget plan.
13.2 When the budget for the next financial year is approved, the cross-functional team headed by the SCM Unit develops an annual budget plan for that year.
This ensures a direct link between key organisational objectives and what managers and staff are expected to do to meet these objectives.
13.3 Specific information on how City of Matlosana will achieve its objectives during the next financial year must be included in the annual budget plan, complete with service delivery indicators. The minimum requirements for information are outlined below:
13.3.1 Descriptions of the various programmes that City of Matlosana will pursue to achieve its objectives, and for each programme, the measurable objectives, total cost and intended lifespan.
13.3.2 Information on any new programmes to be implemented, including the justification for such programmes, expected costs, staffing and new capital, as well as future implications.
13.3.3 Information on any programmes and outputs to be scaled down or discontinued during the financial year.
14 BUSINESS PLAN FOR ACQUISITION MANAGEMENT

POLICY
(a) The SCM Unit must compile a business plan for acquisition management for the next financial year.
(b) The identified requirements in the annual budget plan are drawn from and summarised in a business plan for acquisition management for the next financial year.
(c) The Council must approve the business plan for acquisition management.

14.1 The minimum requirements of information for the business plan for acquisition management are outlined below:
14.1.1 Detailed description of the programme.
14.1.2 Detailed description of the goods and/or services required.
14.1.3 Reference to the relevant specification / terms of reference.
14.1.4 Funds available.
14.1.5 Date when required.
14.1.6 Quantity required.
14.1.7 Reference to the following information:
14.1.7.1 Frequency of requirements.
14.1.7.2 The lead and delivery times.

14.2 Acquisition management uses the business plan to start the acquisition process. All the acquisition information is verified.

15 AD HOC NEEDS ANALYSIS

POLICY
• Over and above the planned needs analysis, an ad hoc needs analysis must be done for unplanned activities during the financial year.
• The cross-functional team must perform needs analysis on a case-by-case basis as and when required in order to determine a sourcing strategy for the appropriate product or service that will ultimately provide best value for money.

15.1 The end-user must establish the need, and in the event of an acquisition in excess of the quotation threshold or a term contract, the total value exceeding the quotation threshold the end user must also perform a needs analysis in conjunction with the cross-functional team. Technical expertise may be co-opted to the team.

16 SCOPING THROUGH A REQUEST FOR INFORMATION (RFI)

POLICY
• If sufficient information is not readily available to draft a terms of reference/specifications, a request for information (RFI) process may be followed in order to obtain more market information.
• The information collected in this fashion may not be used to lead to sourcing from one supplier only nor may it be used to write the ultimate specification/terms of reference around just one specific product.
• It must be clearly stated in the RFI that the result of this process will not lead to an award and does not constitute a commitment.

16.1 A request for information may be published in the media for information to determine the following:
16.1.1 Products available in the market
16.1.2 Specifications of these products.
16.1.3 Availability of these products in the market.
16.1.4 Possible rates of delivery

17 DETERMINING SPECIFICATIONS/TERMS OF REFERENCE

POLICY
• The Bid Specification Committee must draw up clear specifications and terms of reference.
• Include clear evaluation criteria prior to the invitation of the quotation/bid as offers may only be evaluated according to the criteria stipulated in the quotation/bid document.

17.3 It is the responsibility of the end-user through the facilitation of the Cross functional Team and the Bid Specification Committee to compile detailed, clear and unambiguous specifications to source proposals.

17.4 COMPILATION OF THE SPECIFICATION OR TERMS OF REFERENCE

17.4.1 Standards and technical specifications must promote the broadest possible competition, while assuring those critical elements of performance or other requirements for the goods and services being procured are achieved. As far as possible, accepted standards must to be specified as issued by Standards South Africa [a division of the South African Bureau of Standards (SABS)], the International Standards Organisation or an authority recognised by the South African National Accreditation System (SANAS) with which the equipment or materials or workmanship should comply.

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

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

17.4.4 Specifications should be based on relevant characteristics and/or performance requirements. References to brand names, catalogue numbers, or similar classifications should be avoided. If it is necessary to quote a brand name the words “or equivalent” should be added after the reference. The specification should permit the acceptance of offers for goods with similar characteristics proven performance at least equivalent to those specified. The quality required may not be over specified to the extent that it will be impossible for others to offer such a product.

17.4.4.1 In the case of term contracts, all specifications, drawings etc must be numbered. When specifications are amended, the number must be amended also to indicate the year of the amendment. Thus contract ABC/2004 must be amended to ABC/2005 indicating that the amendment was done in 2005.
17.4.4.2 To simplify the evaluation process, especially in terms of goods, a space should be left on the right hand side of each page, where the bidder must indicate whether the offer complies with the specification or not. Particulars of the offer, such as any deviations, must also be indicated in this space.

17.5 Contradictory stipulations
17.5.1 Care must be taken to avoid obscurities and contradictions in specifications/TOR.

17.6 Private sector involvement
17.6.1 It is a sound principle, however not compulsory, that suppliers/service providers of repute should, whenever required, be involved in the drafting of specifications. Therefore, the relevant industrial sector’s representative body should, where possible, be involved in the decision of who to invite to serve on Bid Specification Committees.

17.7 Statutory requirements
17.7.1 Care should be taken to ensure that specifications, where applicable, give effect to the requirements set by other control bodies and that they are not in conflict with stipulated legal or statutory requirements.

17.8 Conditions in specifications
17.8.1 Bidding and contract conditions must not be included in specifications, but in the remainder of the full bid document.
17.8.2 To give content to Circular 51 paragraph 1.2, the Bid Specification must determine whether to use manual labour can replace machinery, taking into consideration the impact and the risk involved.

17.9 Tolerances
17.9.1 As a rule products cannot be manufactured precisely to dimension. Therefore, a specification of precise dimensions without tolerances will generally not be permitted.
17.9.2 The necessary tolerances, which will take one of the following three forms must be set:

□ A minimum dimension.
□ A maximum dimension.
□ A median dimension with a tolerance to either side.

17.10 Other factors
17.10.1 Any subjective factors playing a role in the determination of the specification/TOR can be dealt with through specification clauses and specific conditions. A number of broad guidelines may apply, but examples should be given.
17.10.2 Visible or tangible factors, such as colour or style of furniture may be specified.
17.10.3 Where compatibility with existing equipment is required, three broad groupings are identified:

□ Cases where the required item has to function with existing equipment, such as office automation equipment.
□ All requirements should be specified, one will be that the equipment must integrate with the existing equipment that must also be specified.

Naturally this will then be a primary criterion when evaluating offers.

□ Cases where the item is required as a direct component of existing equipment.
The item is regarded as a proprietary spare part and is so specified, with suitable motivation for restricted bidding if required.

Cases where the required item must be the same as the existing items.

It may be necessary, because of the large investment in the existing equipment in terms of capital, inventories and skills, to obtain approval beforehand for specifying the particular product by submitting motivation and the proposed procedure to be followed to the relevant authority.

17.10.4 Where the knowledge and/or skills of individuals or companies are required in respect of services, such as advertising services, facilitating services, etc.:

Although creative thinking is involved, the output, desired, may be specified and for purposes of selecting a contractor, certain evaluation criteria may be specified together with points attached to each criterion.

17.2.10.5 Institutions must ensure that an authority recognised by SANAS is approached in good time for the drafting of proper specifications. Where subjectivity plays a role in a specification, evaluation criteria must form part of the specification. Only then can sound evaluations and recommendations be made on a properly regulated basis and responsible decisions taken in respect of commodities and services.

17.2.11 Technical equipment

17.2.11.1 In respect of technical equipment, apparatus, machinery and fragile goods, the following must be clearly specified so that it may be priced separately for evaluation purposes:

- Whether installation/erection is required.
- Whether servicing/maintenance is required.
- Whether demonstration/training is required.
- The warranty required.

17.2.11.2 Servicing and maintenance may be divided into the following categories namely:

- Computer Hardware
  - Normal maintenance
  - This would entail a contract for the repair of any broken components of the installed equipment. This might either be during or after the warranty period and should be indicated in the specification if required.
  - Maintenance costs must be specified in terms of hourly tariffs for labour and the actual cost of materials.
  Therefore, a list of the materials must be included in the bidding documents.
  - Preventative maintenance
  - Preventative maintenance entails a service that is supplied to City of Matlosana to keep the equipment in running order. The details are not specified in the bidding documents.
  - However, where it is known beforehand that certain parts will have to be replaced on a regular basis, these details (how, when, where and on what equipment) must be specified in the bidding documents. Any repairs done should be covered in the normal maintenance contract.
- Support/standby services
If City of Matlosana does not wish to enter into maintenance and/or a preventive maintenance contract, a contract for the services of a skilled consultant/individual to rectify faults on equipment may be entered into on an as-and-when required basis.

City of Matlosana purchases the right to install a certain software product. After the initial licence purchase with a number of concurrent users, the following fees are payable:

- Entering into an optional maintenance agreement - this would ensure that all version changes, new releases etc. are supplied to City of Matlosana at the nominal monthly/annual cost as determined in the contract.
- License fees - normally the software houses require that City of Matlosana pay renewal/license fees for the continual use of the product. This amount should normally be paid annually in arrears.
- In both cases the contract period must be determined and specified, as open-ended contracts are not allowed.

**17.2.12 User specifications versus technical specifications**

17.2.12.1 A technical specification determines mainly observable characteristics, such as the dimensions of the product and the material of the product must be manufactured from. A user specification on the other hand describes mainly the result, that must be achieved and how compliance must be tested. The onus then rests on the supplier to offer a suitable product. Where appropriate, a special condition must prescribe that the bidder must substantiate its offer by means of a suitable certificate.

17.2.12.2 It is desirable, wherever possible in practice, to make use of user specifications. These are usually easier to draw up and it stimulates technological development and competition.

**17.2.13 Specific brands or trademarks only**

17.2.13.1 If, in exceptional cases, a specific brand name or trademark is used in the specification, the words “or equivalent” must be inserted after the brand name or trademark, unless reasons for doing so are provided and approved accordingly.

17.2.13.2 Specifying a brand name is acceptable where existing equipment is involved and the item comprises a component thereof, which must be of the same brand.

17.2.13.3 The requirement is still to be advertised in the required media.

17.2.13.4 Fully motivated requests for the invitation of bids from multiple/single/sole source providers for a specific brand name or trade mark only must be submitted to the relevant award structure for approval prior to the invitation of the bid.

**17.3 SPECIFICATION AND TERMS OF REFERENCE GUIDELINES**

17.3.1 Specifications or terms of reference, need to include the following, where applicable:

17.3.1.1 Description of the requirement

17.3.1.2 Background.

17.3.1.3 Objective of the project, where applicable.

17.3.1.4 Quantity/volume applicable.

17.3.1.5 Plans and drawings.
Plans and drawings that reflect the text of the specification. (Please note, that the order of precedence between the drawings and the specifications should be specified.)

17.3.1.6 Minimum performance requirements.

17.3.1.7 Expected outcomes/deliverables.

17.3.1.8 Evaluation criteria including the ratio of points as applicable and the quantification thereof.

17.3.1.9 The particulars pertaining to the goal to be met, where applicable.

17.3.1.10 The delivery date(s), place(s) of delivery and/or the contract period applicable.

In the case of period contracts a period of time for completion of the contract must always be prescribed in the relevant bid documents. This period of time must also be precisely stated, e.g. “contract period: 24 months”. Statements such as “within x months” or “before x months” must not be used.

17.3.1.11 Schedule for service delivery or completion date.

17.3.1.12 Shelf life, where applicable.

17.3.1.13 Packaging, where applicable.

17.3.1.14 Whether installation/erection is required and if affirmative, an indication of the place/address where the installation/erection must take place.

17.3.1.15 Whether demonstration/training is required and if affirmative, an indication of the place/address where the demonstration/training must take place.

17.3.1.16 Whether a performance guarantee is required. Full particulars, amount and reasons must be given.

Performance guarantees should be commensurate with the degree of contractual risk to which City of Matlosana is exposed and are normally applicable to large and complex contracts. 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 City of Matlosana’s costs relating to such failure are likely to be recovered.

17.3.1.17 The warrantee requirement and period applicable.

17.3.1.18 Whether samples must be submitted and whether the samples must be tested before the award of the contract. Reasons for testing should be given.

Where samples must be submitted, the special conditions should state that samples must be submitted not later than the closing time or the date and time specified in the bidding documents.

Samples must be properly labelled to show the:

- Contract number.
- Item number.
- Name of renderer.

17.3.1.19 Indicate inspection, testing, analysis, standards or method requirements, where applicable. Where tests, inspections and analyses are a bid condition, the bid documents should specify that the premises of the bidder should be open at all reasonable hours for inspection by a representative of City of Matlosana acting on behalf of City of Matlosana.
17.3.1.20 Price particulars applicable.
17.3.1.21 The most common types of contracts provide for payments on the basis of lump sum prices, unit prices, reimbursable cost plus fees, or combinations thereof.
17.3.1.22 Reimbursable cost contracts are be acceptable only in exceptional circumstances, such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy. Such contracts should include appropriate incentives to limit costs and may only be concluded subject to the approval of the Accounting Officer or the delegate. It is advisable that the reasons and formal approval for following the reimbursable route are recorded for auditing purposes.
17.3.1.23 Indicate in the case of capital goods, whether foreign export credit facilities should be utilised.
17.3.1.24 Competency and expertise requirements.
17.3.1.25 Roles assigned to role players, where applicable.
17.3.1.26 Reporting requirements, where applicable.
17.3.1.27 Available documentation pertaining to the specific project, where applicable.
17.3.1.28 Any other information.
17.3.1.29 The Bid Specification must create a check list to verify if the requirements and conditions are covered on the specification.

18 PLANNING FOR PUBLICATION

POLICY

City of Matlosana must ensure that proper planning takes place at the beginning of the year by establishing as far as possible the publishing dates for that year and the first dates of the following year.

18.1 Past experience has shown the tendency to invite bids or place orders for goods or services near the end of the financial year in order to spend unused funds in the budget. This practice places extreme pressure on both providers and SCM practitioners.

18.2 It is, therefore, imperative to ensure that it is known when advertisements must be submitted for timely publication.

19 GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

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

20 PUBLIC-PRIVATE PARTNERSHIPS

POLICY

The City of Matlosana may enter into a Public-private Partnership agreement, but only if the municipality can demonstrate that the agreement will:

- Provide value for money to the municipality.
Be affordable for the municipality.
Transfer appropriate technical, operational and financial risk to the private party.
Should City of Matlosana have a requirement for a public-private partnership, their requirement will have to comply with the rules for public private partnerships set out in the MFMA regulations.
If the Public-private Partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with.

20.1 Before City of Matlosana initiates a feasibility study for a public-private partnership contemplated in Section 120(4) of the Act, the Accounting Officer of the municipality must:

20.1.1 Notify the National Treasury and the Provincial Treasury in writing of the municipality’s intention, together with information on the expertise within the municipality to comply with that section of the Act.
20.1.2 If requested to do so by the National Treasury or the Provincial Treasury, appoint a person with appropriate skills and experience, either from within or outside the municipality, as the transaction advisor to assist and advise the municipality on the preparation and procurement of the public-private partnership agreement.

20.2 The abovementioned also applies when City of Matlosana in terms of Section 78(2) of the Municipal Systems Act explores the provision of a municipal service through an external mechanism to be appointed in terms of a public private partnership agreement.

20.3 The feasibility study must:

20.3.1 Identify and define the activity which the municipality proposes to outsource to a private party.
20.3.2 Assess the needs of the municipality in respect of such activity, including:
20.3.2.1 The various options available to the municipality to satisfy those needs.
20.3.2.2 The advantages and disadvantages of each option.
20.3.3 Assess the projected impact of the proposed outsourcing of the activity to a private party on the staff, assets, liabilities and revenue of the municipality under the sole or shared control of the municipality, which must include an assessment of:
20.3.3.1 The number of officials of the municipality that would become redundant as a result of the outsourcing of the activity.
20.3.3.2 The cost to the municipality of any staff retrenchments or the retention of redundant staff.
20.3.3.3 Any assets of the municipality proposed to be placed under the control of the private party.
20.3.3.4 Any assets of the municipality that would become obsolete as a result of the outsourcing of the activity.
20.3.3.5 Any liabilities of the municipality proposed to be assigned to the private party.
20.3.3.6 Any debt of the municipality attributed to the activity to be outsourced which the municipality would retain.
20.3.3.7 Any revenue to be foregone by the municipality as a result of the outsourcing of the activity.
20.3.4 Recommend an appropriate plan for the procurement of the proposed public private partnership agreement, if outsourcing of the activity is the preferred option.

20.4 An assessment must show comparative projections of:

20.4.1 The full costs to the municipality for the activity if that activity is not outsourced through a public-private partnership agreement.

20.4.2 The full costs to the municipality for the activity if that activity is outsourced through a public-private partnership agreement.

20.5 The abovementioned process need not be complied with if the activity is a municipal service in respect of which an assessment in terms of Section 78(3)(b) and a feasibility study in terms of section 78(3)(c) of the Municipal Systems Act have already been carried out, provided that:

20.5.1 Such assessment and feasibility study cover the matters referred to in regulations 3(1) and (2).

20.5.2 The documents reflecting the results of such assessment and feasibility study are included in the documents submitted to the Council in terms of Section 120(6) of the Act.

Section 13: List of Accredited Prospective Providers

1 ESTABLISHMENT OF THE LIST OF ACCREDITED PROSPECTIVE PROVIDERS

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ City of Matlosana must establish and maintain a list of accredited prospective providers for goods and services for obtaining written or verbal quotations and formal written price quotations.</td>
</tr>
<tr>
<td>☐ The list must be compiled per commodity and per type of service.</td>
</tr>
<tr>
<td>☐ City of Matlosana must, at least once a year, through newspapers commonly circulating locally, the website of City of Matlosana and any other appropriate way, invite prospective providers of goods and services to apply for evaluation and listing as accredited prospective providers.</td>
</tr>
<tr>
<td>☐ The list of accredited prospective providers must be used effectively to promote HDI’S through the participation of black-owned enterprises, black empowered enterprises, and black women-owned enterprises as well as the promotion of businesses owned by other HDI’s and SMMEs.</td>
</tr>
<tr>
<td>☐ The listing criteria for accredited prospective providers must be specified.</td>
</tr>
<tr>
<td>☐ Prospective providers whose names appear on the National Treasury’s database as prohibited from doing business with the public sector, or appear on the Register of Tender Defaulters must be disallowed.</td>
</tr>
</tbody>
</table>

1.1 ESTABLISHMENT DETAILS

1.1.1 City of Matlosana must, every year, through an advertisement placed in the local representative newspaper(s), the City of Matlosana website and if so decided, the Government Tender Bulletin, invite prospective providers to apply for evaluation and listing in different commodities categories and regions/areas, as an accredited prospective provider.
1.1.2 City of Matlosana needs to compile the list per commodity, categories, subcategories, regions/areas and if required, monetary categories to provide for capacity. If one list is compiled without differentiation between categories and regions/areas, it will be difficult to efficiently administer the list.

1.2 APPLICATION DETAILS
1.2.1 The following essential information must be obtained and included on the bid by each prospective provider to enable City of Matlosana to establish a provider profile:
1.2.1.1 Name of the entity/individual.
1.2.1.2 Physical and postal address.
1.2.1.3 Entity type, for example public company, private company, closes corporation, partnership, or sole trader.
1.2.1.4 Appropriate registration numbers.
1.2.1.5 Contact details, such as telephone number, facsimile numbers and e-mail if applicable.
1.2.1.6 Name(s) of director(s), member(s), partner(s) and owner(s)/principal(s) of the entity.
1.2.1.7 Annual turnover of the entity/individual where it is so required on the bid.
1.2.1.8 HDI equity profile of the entity.
1.2.1.9 BEE profile of the entity.
1.2.1.10 Proof that tax affairs are in order (compulsory) but not older than three months. And not more than R200.00 in arrears.
1.2.1.11 List of products/services offered, linked to requirement categories and regions/areas applicable as determined by City of Matlosana.
1.2.1.12 Capacity and capability should be indicated for the entity.
1.2.1.13 Specific expertise vested in the entity/individual, linked to requirement categories and regions/areas applicable as determined by City of Matlosana.
1.2.1.14 A list of relevant previous/current projects with at least two (2) contactable references.
1.2.1.15 Bank details (physical, postal and electronic banking address).

1.3 EVALUATION AND APPROVAL FOR LISTING
1.3.1 The listing criteria for accredited prospective providers must be specified.
1.3.2 The provider’s compliance with the essential requirements must be evaluated to determine whether the entity will be placed on the list of accredited prospective providers.
1.3.3 The assessment criteria referred to above, to determine placement of the prospective provider on the list, must be determined prior to the request being sent out and based on the categories chosen for the list, it may be the following:
1.3.3.1 Sufficient expertise vested in the entity/individual linked to requirement categories of City of Matlosana.
1.3.3.2 At least 2 (two) contactable references of previous/current projects proving the capability of the entity/individual.
1.3.3.3 Proof of sufficient capacity.
1.3.4 All information pertaining to the providers must be treated as confidential and maintained as such.
1.3.5 After closing of registration, the list is compiled, the relevant Bid Evaluation Committee evaluates the applications and makes a recommendation to the relevant award structure that will consider and approve the recommended list.

1.3.6 City of Matlosana must prevent the listing in the following circumstances:

1.3.6.1 Any prospective provider whose name appears on the National Treasury's database as a provider prohibited from doing business with the public sector.
1.3.6.2 A provider whose name appears on the Register of Tender Defaulters.
1.3.6.3 A provider who has been placed in to liquidation.
1.3.6.4 Provider whose tax affairs are not in order.
1.3.6.5 Provider involved in proven bribery, fraud and corruption.
1.3.6.6 Provider who has not registered in accordance with statutory requirements.

1.3.7 Successful applicants must be informed and reasons for non-inclusion in the list must be furnished to the unsuccessful applicants on request.

1.4 UPDATING OF THE LIST

<table>
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<th>POLICY</th>
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<tbody>
<tr>
<td>☐ The list of accredited prospective providers must be updated at least quarterly to include additional prospective providers and any new commodities or types of services.</td>
</tr>
<tr>
<td>☐ Prospective providers must be allowed to submit applications for listing at any time.</td>
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</table>

1.4.1 The Accounting Officer or delegate must prevent the listing of any prospective provider whose name appears on the National Treasury's database as a provider prohibited from doing business with the public sector.

1.4.2 A provider that did not qualify for placement on the list during the first round, can re-apply to be included in the list of accredited prospective providers if their status changed and it is felt that they will now conform to the requirements.

1.4.3 Prospective providers may provide their details on a continuous basis for consideration by completing the application form, but they will only be considered for placement on the list on a quarterly basis with effect from the next quarter.

1.4.3.1 Collect all the requests for placement on the list over the period of the quarter and then evaluate it together.

1.4.4 Should City of Matlosana wish to consider providers for placement on the list on a more regular basis, they are free to do so.
2 UTILISATION PROCEDURE

POLICY

All bid shall be finalized within 90 working days starting from the date of advertisement

☐ For the various quotation thresholds, City of Matlosana must invite accredited prospective providers (in the relevant commodity, category and regions/areas), featured on the list of accredited prospective providers, to submit a quote.

☐ The invitation of price quotations from the provider list must be done in such a manner that ongoing competition amongst providers is promoted.

The following selection method must be used for the procurement of goods and services:-

1. Multiple source selection-the official responsible shall select more than one suppliers from the system through an electronic rotation, where-after the official user will evaluate the quotation to select one supplier taking into consideration value for money, delivery period, quality and quantity and cost effectiveness.

2. Single source selection-the official responsible shall select one supplier from the system, the system will select one supplier only. The selection must be used only during emergency, urgent cases or where the total amount falls under the relevant threshold value.

3. Sole source selection-the delegated or responsible supplier shall use the selection only if the service or product is unique and the supplier has a patent right of that service or product, the supplier must be the sole supplier in South Africa not necessarily in that specific area-value for money, quality, quantity, cost effectiveness, delivery period, price. Section 113 of the MFMA must be adhered to. In case where the service provider is the supplier of the main product, service plant or equipment, the service or components, part thereof or any related item may be sourced from the principal or such service provider.

2.1 When using the list of accredited prospective providers, the Accounting Officer or delegate must:

2.1.1 Promote ongoing competition amongst providers, such as inviting providers to submit quotations on a rotation basis.

2.1.2 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.

2.1.3 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.

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

2.2 Once the list has been established per commodity, quotations should be invited there from.

2.3 Successful applicants are numbered and depending on the number of providers listed per category and regions/areas, quotations should preferably be invited from all the listed providers per commodity to promote ongoing competition.
2.4 The invitation per commodity should be done on a rotation basis in the event that there are too many names on the list of prospective providers per commodity, for example by requesting at least five (5) providers to quote each time.

2.5 No accredited prospective provider that provided a quote after being requested to do so may be approached to quote again before all providers for a specific commodity had the opportunity to quote.

2.6 City of Matlosana must manage and utilise all its prospective providers efficiently and effectively.

2.7 Records (manual or electronic) must be kept to record full particulars of price quotations obtained from the list.

### 3 REMOVAL FROM THE LIST OF ACCREDITED PROSPECTIVE PROVIDERS

| Accredited prospective providers may be removed from the list on request or for non-compliance with relevant legislation, proven non-delivery and proven fraud and/or corruption. |

3.1 A provider must be removed from the provider list under the following circumstances:

3.1.1 The entity ceases to exist.

3.1.2 Sole proprietor dies.

3.1.3 Liquidation/sequestration of the entity.

3.1.4 Continual proven non-delivery (two and more times) or unable to meet minimum specification continuously.

3.1.5 Non-compliance with legislation or statutory requirement e.g. its tax status.

3.1.6 Proven fraud and/or corruption.

3.1.7 On provider's request.

3.1.8 By mutual agreement, in writing.

3.2 Where required, the relevant legal expertise will assist in ensuring that the correct processes are followed to deal with providers fairly in executing this process.

### Section 14: Acquisition Management: System and Process Hierarchy

#### 1 SYSTEM OF ACQUISITION MANAGEMENT

<table>
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<tbody>
<tr>
<td>o Goods and services must only be procured in accordance with authorized procurement processes.</td>
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<tr>
<td>o Procurement of goods and services, either through quotations or through a bidding process, must be within the threshold values as determined by National Treasury.</td>
</tr>
<tr>
<td>o The Accounting Officer may not increase the different threshold values as determined by National Treasury, but may lower it.</td>
</tr>
<tr>
<td>o 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.</td>
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</table>
City of Matlosana must develop general conditions of bid and contract that must at least include the General Conditions of Contracts issued by National Treasury and must apply these conditions uniformly for all bids and contracts not subject to CIDB regulations.

- Provision must be made for special conditions to be added to the General Conditions of Bid and Contracts where required by circumstances.

- City of Matlosana must develop a uniform set of document templates for utilisation based on at least those issued by the National Treasury.

- Acquisition management is the process and management of procuring goods, services and works.

- The system of acquisition management must ensure avoidance of unauthorised, irregular, fruitless and wasteful expenditure.

- This supply chain management manual, except where provided otherwise in this manual, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including:
  - Water from the Department of Water Affairs or a public entity, or another municipality.
  - Electricity from Eskom or another public entity, another municipality.

<table>
<thead>
<tr>
<th>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:</th>
</tr>
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<tr>
<td>- The kind of goods or services.</td>
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<tr>
<td>- The name of the supplier.</td>
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## 2 HIERARCHY FOR SATISFYING REQUIREMENTS

### POLICY

- When a requirement becomes known, the noted hierarchy for satisfying requirements must apply the hierarchy of processes of obtaining stock from internal sources. Thereafter the hierarchy of processes of satisfying requirements from external sources, may be applied.

- Requirements may also be satisfied from pre-established sources. Obtaining goods and services do not mean that these requirements should only be procured from outside sources. As part of acquisition management, all possible methods of obtaining requirements should be considered. This starts first with an internal hierarchy of satisfying requirements. Hereafter the hierarchy for satisfying requirements from external sources may be
applied. Together with this, the specific rules pertaining to specific products and circumstances such as PPPs and Information Technology must be taken into account.

3 REQUIREMENTS FROM PRE-ESTABLISHED SOURCES
3.1 There are a number of pre-established sources that may be considered. Goods or services may also be available from other government institutions.

3.2 LIST OF REDUNDANT, OBSOLETE MATERIALS AND SUPPLIES
3.2.1 Groups within City of Matlosana must ensure that the requirement is not available on the internal redundant or obsolete materials list.
3.2.2 Draw from the relevant store according to the prescribed process.

3.3 ITEMS IN STOCK
3.3.1 Obtain from stock according to the prescribed process. An example of this is stationery.

3.4 ITEMS ON A PRE-ESTABLISHED CITY OF MATLOSANA CONTRACT
3.4.1 Investigate whether the requirements are available on an existing contract arranged by City of Matlosana. If the requirement is available on contract, order accordingly.
3.4.2 The non-utilisation of a contract could be regarded as breach of contract and will be regarded as breach of procedure.

3.5 SOURCING FROM OTHER ORGANS OF STATE
3.5.1 Services and goods that are the core function of a specific government institution may be sourced from or through the auspices of such an institution such as electricity and water provision and Telkom telephone landline services. In such instances the sourcing takes place without the intervention of the National Treasury. However, should the government institution not be able to assist City of Matlosana, the normal acquisitioning procedures should apply?

3.6 PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE
3.6.1 The accounting officer may procure goods or services for City of Matlosana under a contract secured by another organ of state, but only if:
3.6.1.1 The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state.
3.6.1.2 That other organ of state and the provider have consented to such procurement in writing.
3.6.1.3 There is no reason to believe that such contract was not validly procured.
3.6.1.4 There are demonstrable discounts or benefits to do so.

4 DIRECTIVES FOR SPECIFIC TYPES OF REQUIREMENTS

POLICY

☐ The rules guiding specific circumstances and products must be taken into account together with the hierarchies in the choice of processes.

4.1 PROCUREMENT OF IT RELATED GOODS AND SERVICES

POLICY

☐ AO may seek specialised advice from SITA in acquisition of IT related goods and services.

4.1.1 The accounting officer may request the State Information Technology Agency (SITA) to assist City of Matlosana with the acquisition of IT related goods and services through a competitive bidding process.

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

4.1.3 The Accounting Officer or delegate must notify SITA together with a motivation of the IT needs of City of Matlosana if:

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

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

4.1.4 If SITA comments on the submission and City of Matlosana disagrees with such comments, the comments and the reasons for disagreement with such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor-General.

4.1.5 Data section of the City of Matlosana will be responsible for managing procurement and arranging contracts for IT equipments. Every request for procurement of IT equipment should be channeled through Data section.

4.2 PUBLIC PRIVATE PARTNERSHIPS

POLICY

☐ Should City of Matlosana have a requirement for a public-private partnership, the requirement will have to comply with the rules for public private partnerships set out in the MFMA regulations.

4.2.1 When complying with Part 2 of Chapter 11 of the Act, the Accounting Officer of the City of Matlosana must solicit the views and recommendations of the National Treasury and the Provincial Treasury on:

4.2.1.1 The proposed bid documentation at least 30 days before bids are publicly invited.

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

4.2.2 An award of a public-private partnership agreement:

4.2.2.1 May be made only after the process set out in section 120(6) of the Act has been completed.
4.2.2.2 Is subject to compliance with Section 33 of the Act.

4.2.3 When complying with Section 120(6)(c)(i) of the Act, the municipality must specifically solicit the views and recommendations of the National Treasury on:

4.2.3.1 The proposed terms and conditions of the draft public-private partnership agreement.

4.2.3.2 The municipality's plan for the effective management of the agreement after its conclusion.

4.2.3.3 The preferred bidder's:

☐ Competency to enter into the public-private partnership agreement.

☐ Capacity to comply with the obligations in terms of the public-private partnership agreement.

4.2.4 When complying with Section 120(6)(c)(iv) of the MFMA the municipality must specifically solicit the views and recommendations of the provincial treasury on the matters set out in paragraph 4.2.3.

4.2.5 A public-private partnership agreement between the municipality and a private party must:

4.2.5.1 Provide value for money to the municipality.

4.2.5.2 Be affordable for the municipality.

4.2.5.3 Describe in specific terms the nature of the private party's role in the public private partnership.

4.2.5.4 Confer effective powers on the municipality:

☐ To monitor implementation of and to assess the private party's performance under the agreement.

☐ To manage and enforce the agreement.

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

4.2.5.6 Provide for the termination of the agreement if the private party:

☐ Fails to comply with terms or conditions of the agreement.

☐ Deliberately provides incorrect or misleading information to the municipality.

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

☐ Who is an official of the municipality under the sole or shared control of the municipality?

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

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

4.2.5.9 Comply with Section 116(1) of the Act.

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

4.2.7 Only the Accounting Officer of City of Matsosana may sign a public private partnership agreement on behalf of the municipality.

4.2.8 The Accounting Officer may not sign a public-private partnership agreement unless Section 33 of the Act has been complied with.
4.2.9 As soon as the municipality initiates a project that may be a public-private partnership, the Accounting Officer must appoint a person with appropriate skills and experience, either from within or outside the municipality, as the project officer for the public-private partnership.

4.2.10 The project officer is responsible to perform:

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

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

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

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

4.2.11.2 That municipal property under the control of the private party in terms of the agreement is appropriately protected against forfeiture, theft, loss, wastage and misuse.

4.2.11.3 That the municipality has contract management and monitoring capacity.

4.2.12 A public-private partnership agreement may be amended by the parties provided:

4.2.12.1 Section 116(3) of the Act has been complied with.

4.2.12.2 The amendment is consistent with the basic essentials of public-private partnership agreements set out in regulation 5 and other applicable provisions of the PPP regulations.

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

4.3 BUILDING, ENGINEERING OR CONSTRUCTION WORKS

4.3.1 SURETIES AND RETENTION

4.3.1.1 City of Matlosana resolve to levy sureties and retention on contract value to commensurate with the level of risk that it may be subjected to as per the table below:

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>RANGE (Incl. VAT)</th>
<th>SURETIES</th>
<th>RETENTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICRO</td>
<td>Less or equal to R300 00</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>SMALL</td>
<td>Greater than R300 000 but less than R500 000</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>MEDIUM</td>
<td>Greater than R500 000 but less than R1 500 00</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>LARGE</td>
<td>Greater than R1 500 00</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>
4.3.1.2 In the event that a contractor is unable to raise the required surety for only contract price to a range up to R5 00 000, City of Matlosana may allow such to be deducted in full or part over three payment certificates in equal amounts.

4.3.1.3 Retention should however be deducted on each payment claimed as per the payment certificate until end of the contract.

4.3.2 INSURANCE

4.3.2.1 Contractors are responsible for presenting proof of public liability insurance for the duration of a project as well as contributions to insurance for equipment and occupational health and safety act.

4.3.2.2 Where cessions are accepted the utmost care should be taken to ensure that the municipality is indemnified against these cessionaries.

4.3.3.2 In any other circumstances, City of Matlosana can only accept duly signed cession up to 70% of the value of the contract and that the obligation to execute the assignment remains with the main contractor.

4.3.4 PENALTIES

4.3.4.1 A penalty of R1500.00(one thousand rand) based on the balance of the contract amount per day may apply for late performance of the contract:

4.3.4.2 City of Matlosana shall levy a penalty equal to the value of the surety to any bidder should the bidder subsequent to the signing of contract not implement the project due to factors caused by him/her which will lead to the cancellation of the contract and the appointment of the new bidder. The amount will serve to compensate for administration cost and other related costs.

4.3.4.3 The Accounting Officer in his sole discretion may reduce or waive the above penalty.

4.4 PROCUREMENT OF BANKING SERVICES

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>□ A contract for the provision of banking services to City of Matlosana:</td>
</tr>
<tr>
<td>□ Must be procured through competitive bids.</td>
</tr>
<tr>
<td>□ Must be consistent with section 85 of the MFMA.</td>
</tr>
<tr>
<td>□ May not be for a period of more than five years at a time.</td>
</tr>
<tr>
<td>□ Must be in the name of City of Matlosana.</td>
</tr>
</tbody>
</table>

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

4.4.2 The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
4.4.3 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.

4.4.4 City of Matlosana may not open a bank account:

4.4.4.1 Abroad.

4.4.4.2 With an institution not registered as a bank in terms of the Banks Act, Act No 94 of 1990.

4.4.4.3 Otherwise than in the name of City of Matlosana.

4.4.4.4 Without the approval of its Council.

4.5 APPOINTMENT OF CONSULTANTS

| POLICY |

- City of Matlosana must apply the Treasury Guidelines instructions in respect of the appointment of consultants.

4.5.1 The contents of the specific section for the appointment of consultants must be applied in line with the prescribed instructions.

4.6 DISPOSALS AND RENTALS

4.6.1 Bids in these categories are dealt with in the same manner as other bids with the exception that since revenue is applicable; the objective is to receive the highest bidding price.

4.7 TERM CONTRACTS

4.7.1 A term contract is a contract entered into for the supply of goods, the rendering of services or the disposal of movable assets over a specified period of time, but not less than one year. This is regarded as a good sourcing strategy in relevant circumstances to improve efficiency.

4.7.2 A specific term contract is a contract arranged for the specific repetitive requirements of only City of Matlosana. The period of time for completion of the contract must always be prescribed in the relevant bid documents.

4.7.3 The SCM Unit must arrange and renew, if necessary, term contracts for requirements of a repetitive nature through the invitation of competitive bids.

4.7.4 Orders for items available on such a term contract must be placed irrespective of the value of the order unless a specific cap has been placed on the value of a single order or the amount to be spent by a specific group.

5 PROCURE REQUIREMENTS FROM EXTERNAL SOURCES

5.1 In order to determine the appropriate procurement process in the range of procurement processes for satisfying the requirement from external sources, it is necessary to first decide the estimated monetary value of the project inclusive of VAT and then to determine the monetary threshold of the activity. For term contracts, the total value of the contract for the entire period must be calculated to determine the monetary threshold of the contract.
5.2 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.

5.3 MONETARY THRESHOLDS

5.3.1 The thresholds set (inclusive of VAT), are as follows:

5.3.1.1 Petty cash transactions up to the monetary value of R1 000.00 (VAT included).
5.3.1.2 One written Quotation for all transaction above R1001 less than R4500
5.3.1.2 Three Written quotations above R4501 and up to R30 000 (VAT included).
5.3.1.3 Formal written price quotations above R30 001 and up to R200 000 (VAT included).
5.3.1.4 Competitive bids for procurement of goods or services and long term contracts above R200 000.

5.4 REQUIREMENTS NOT AVAILABLE FROM A LOCAL SUPPLIER (PROCUREMENT FROM ABROAD)

5.4.1 Should a requirement not be available from a local supplier within South Africa, international sourcing may be considered?

6 DEVIATION FROM OFFICIAL PROCUREMENT PROCESSES

6.1 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:

6.1.1 In an emergency (see section 16, paragraph 8.5 for more detail).
6.1.2 If such goods and services are produced or available from a single provider only.
6.1.3 For the acquisition of special works of art or historical objectives where specifications are difficult to compile.
6.1.4 Acquisition of animals for zoos and/or nature and game reserves.
6.1.5 In any other exceptional case where it is impractical to follow the official procurement processes.

6.2 The Accounting Officer may ratify any minor breaches of the procurement processes by an official or a committee acting in terms of delegated powers or duties which are purely of a technical nature. This will however still have to be reported to the next meeting of the Council and included as a note to the Annual Financial Statements.

7 PROCESS DETAIL

7.1 The range of procurement processes is discussed in more detail in the following two sections.

Section 15. Acquisition Management. Range of Procurement Processes and thresholds excluding consultants

1 PETTY CASH TRANSACTIONS UP TO R1 000 (VAT INCLUDED)
Within the petty cash monetary threshold, satisfy the requirement according to the prescribed petty cash policy without inviting quotations or competitive bids.

City of Matlosana must ensure that a petty cash policy and procedure is in place.

The petty cash procedure must not be utilized for the following items and under the following circumstances:

- Items available on contract.
- Items available from other pre-established sources.
- Professional services.
- A manager must not delegate duties for petty cash to an official not reporting to the manager.

The number of petty cash purchases or the maximum amount per month for each manager to spend on petty cash must be restricted as indicated in the Delegation of Authority Document.

1.1 In accordance with the petty cash policy, City of Matlosana may procure supplies by inviting one (1) price quotations up to a transaction value of R1,000.

1.2 The intention of petty cash is to facilitate the smooth running of the office with the least administration and where quotations cannot be practically obtained.

1.3 The following conditions apply to petty cash:

1.3.1 The thresholds indicated in the petty cash policy for the daily float must be strictly adhered to.

1.3.2 Cash purchases may only be made against available funds.

1.3.3 Each manager is restricted to the number of transactions/value of petty cash transactions for the month determined in the Delegation of Authority Document.

1.3.4 All transactions must be recorded and documentary evidence must be submitted. Proof of payments is a cash register slip or receipt, and not the invoice, unless the invoice has been endorsed with proof of payment.

1.3.5 Should the value of a transaction exceed the prescribed transaction value, the petty cash procedure must not be used.

1.4 Subdivision of requirements to circumvent the required procurement processes will not be tolerated.

1.5 The procedure followed for a petty cash transaction must be as prescribed in the financial policy.

11.6 above R1000 less than R4500 only one quotation must be obtained per case

2 WRITTEN L QUOTATIONS ABOVE R 2 001 UP TO R30 000 (VAT INCLUDED)

Written quotations obtained by directorates

POLICY

- Promote the principles of being fair, equitable, transparent, competitive and cost-effective through all procurement processes.

2.1 For procurement of goods and services above R4500 to a maximum of R30,000 (VAT included), written quotations must be obtained by the directorate concerned from at least three different service providers whose names appear on the Register: Provided that if quotations are obtained from service providers who are not included in the Register, such service providers must meet the listing criteria mentioned in 1.3 above.
2.2 After evaluation of the quotations received, the responsible official must submit a report in the approved format to the relevant delegated authority in the directorate for his or her approval.

2.3 Requirements may be procured without inviting competitive bids or formal written price quotations.

2.4 Obtain at least 3 written or verbal quotations preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers, provided that if quotations are obtained from providers not on the list, such providers must meet the listing criteria required in MFMA Regulation 14(1) (b) and (c).

2.5 If it is not possible to obtain at least three quotations, the reason must be recorded and reported quarterly to the Accounting Officer or the delegate.

2.6 If the quotation was submitted verbally, the order may be placed only against written confirmation from the selected provider.

2.7 The Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services is not abused.

2.8 At least 3 quotations must be obtained, where applicable, preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers in the correct category, provided that if quotations are obtained from providers not on the list, such providers must meet the listing criteria required.

2.9 Verbal quotations are usually not accompanied by specifications and conditions and may be requested telephonically. The date of submission and address where it must be submitted to in writing, must be indicated when the request is made telephonically.

2.10 The intention is to endeavour to receive 3 quotations provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria specified.

2.11 If it is not possible to obtain at least 3 quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or the delegate.

2.12 The Accounting Officer or delegate must record the names of the potential providers requested to provide such quotations with their quoted prices.

2.13 The successful quotation must be confirmed per facsimile or per e-mail as the order may only be placed against written confirmation from the selected provider.

It therefore makes business sense to ask all the providers to confirm their quotes in writing, even though the information may not be detailed. This would avoid having to record the information given by the provider over the phone.

2.14 The Chief Financial Officer should, on a monthly basis, be notified of all verbal or written quotations accepted with a view to ensure that the method of procuring goods and services by way of written or verbal quotations is not abused.

3 FORMAL WRITTEN PRICE QUOTATIONS FROM R30 001 UP TO R200 000 (VAT INCLUDED)

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>Written quotations obtained by the SCM Unit</td>
</tr>
</tbody>
</table>
- All procurement documentation for the procurement of goods and services above R30 000 up to R200 000 (VAT included), must be submitted to the SCM Unit who will advertise the quotations in question on the Municipality’s notice boards and website for a period of at least 7 (seven) calendar days.

- All quotation documents pertaining to the procurement of goods or services in this regard will be issued and received by the SCM Unit.

- After evaluation of the quotations received, the SCM Unit shall submit a report in the approved format to the directorate concerned for approval by the relevant delegated authority.

- In the event that quotations have been invited via the notice boards and website of the Municipality, no additional quotations need to be obtained should the number of responses be less than three.

- After evaluation of the quotations received, the SCM Unit shall submit a report in the approved format to the directorate concerned for approval by the relevant delegated authority.

- Requirements may be procured by inviting formal written price quotations from as many as possible providers on the list of accredited prospective providers.

- Where no suitable accredited providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that such providers meet the listing criteria.

- If it is not possible to receive at least 3 quotations, the reasons must be recorded and approved by the CFO or the delegate.

- The prescripts of the PPPFA and its Regulations must be applied.

- The Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services is not abused.

- The SCM Unit must invite quotations in writing from as many providers as possible that are registered on the list of accredited prospective providers in the relevant category. If there are too many providers on the list for the specific commodity, invite quotations from at least three (3) providers at a time and apply the rotation principle. When using the list of accredited prospective providers, the Accounting Officer or delegate must promote ongoing competition amongst providers.

- The request for quotations must indicate the closing date and time, the address where it must be submitted, the validity period and the address where the supplies must be delivered or the services must be rendered. The request for quotations must contain a sufficiently detailed specification. The prescripts of the PPPFA and its Regulations must be applied. It may also include special conditions of contract if required over and above the normal conditions.

- Where no suitable providers are available from the list, other possible providers not on the list may be contacted to solicit quotations from, provided that such providers meet the listing criteria in the SCM policy. The intention is still to endeavour to obtain at least 3 quotations if possible.

- If it is not possible to obtain at least 3 quotations, the reasons should be recorded and approved by the Accounting Officer or the delegate.
The Accounting Officer or CFO must, on a monthly basis, be notified in writing of all quotations accepted by
an official acting in terms of a sub-delegation and requirement for proper record keeping.

- Original and Valid Tax clearance Certificate for all requirements above R30 000 VAT included is required
- Tax clearance certificate shall be requested once per year
- The municipality reserve the right to request another tax clearance certificate before appointing a supplier
- Order to be placed against written confirmation from selected supplier. No service or goods to be
  rendered without a purchase order/service letter from the municipality.

4. Invalid and non-responsive quotations

4.1 Invalid quotations

4.1.1 Quotations shall be considered invalid and shall be endorsed and recorded as such by the responsible official
who opened the quotations in the following instances:

(a) where the quotation is not submitted on the official quotation form;
(b) where the quotation is not completed in non-erasable ink;
(c) where the quotation form has not been signed;
(d) where the quotation form is signed, but the name of the quoter is not stated, or is indecipherable.
(e) When quotations are declared invalid at the quotation opening, the name of the quoter and the reason for the
quotation having been declared invalid shall be recorded.

4.1.2 Non-responsive and non-responsible quotations

4.1.2.1 Quotations that are non-responsive (i.e. technically unacceptable) and non-responsible (i.e. price very high or
very low) will be disqualified.

(a) Non-responsive quotations

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

(b) Non-responsible quotations

These refer to quotations with a price that is very high or very low and is therefore not considered a fair and acceptable
market price. A fair and acceptable market price is defined on the basis of the following factors:

(i) is the quotation price substantially below or higher than that of other quoters;
(ii) in repeat purchases, how does the quotation price compare with recent contracts awarded for similar items or work,
taking into account quantified, conditions, terms, and other important specifications;
(iii) are there price indices available to determine the changes in labour and material costs;
(iv) market research information to establish fair market price goods and serviced procured regularly."

The above is particularly important for the calculation of preference point system and the implementation of the price matching strategy.

4.4.7 Bid Sum
A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.

5 GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>A written quotation or bid may not be considered unless the provider that submitted the quotation or bid:</td>
</tr>
<tr>
<td>• Has furnished City of Matlosana with that provider’s:</td>
</tr>
<tr>
<td>• Full name</td>
</tr>
<tr>
<td>• Identification number or company or other registration number.</td>
</tr>
<tr>
<td>• Tax reference number and VAT registration number, if any.</td>
</tr>
<tr>
<td>• Has authorised City of Matlosana to obtain a tax clearance from the South African Revenue Services.</td>
</tr>
<tr>
<td>• Has indicated:</td>
</tr>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• Whether a spouse, or child or parent of the provider or of a director, manager, shareholder or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.</td>
</tr>
</tbody>
</table>

6 COMPETITIVE BIDDING PROCESS ABOVE R200 000

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A competitive bidding process must be followed as far as possible.</td>
</tr>
<tr>
<td>• If, in a specific case, it is impracticable to invite competitive bids, City of Matlosana may procure the required goods or services by other means such as through limited bidding, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the Accounting Officer or delegate.</td>
</tr>
<tr>
<td>• City of Matlosana may include an open and transparent, competitive pre-qualification bidding process in which only pre-qualified organisations may participate.</td>
</tr>
<tr>
<td>• The prescripts of the PPPFA must be adhered to.</td>
</tr>
<tr>
<td>• Subdivision of requirements to circumvent the Accounting Officer’s delegated powers will not be tolerated.</td>
</tr>
</tbody>
</table>

6.1 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.

6.2 OPTIONS TO CONSIDER
6.2.1 There is a hierarchy of options within this category that must be considered as part of determining the sourcing strategy and the procurement process during the demand management and acquisition management phases. Each option must indicate under which circumstances it is recommended for utilisation. The first option in the hierarchy affords the greatest opportunity for competitiveness and the promotion of preferential procurement. Circumstances do occur, that make the use of the open bidding process impracticable, impossible or very cumbersome. The utilisation of subsequent options offers less opportunity for competition and promotion of preferential procurement and therefore requires proper justification for utilisation in the determining of the procurement processes. These processes are further explained hereunder for each of the following stages:

6.2.1.1 The compilation of bidding documentation.
6.2.1.2 The public invitation of bids.
6.2.1.3 Site meetings or briefing sessions, if applicable.
6.2.1.4 The evaluation of bids.
6.2.1.5 The award of contracts.
6.2.1.6 The administration of contracts.
6.2.1.7 Proper record keeping.

7 COMPETITIVE BIDDING

POLICY

☐ Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may be procured by City of Matlosana only through a competitive bidding process.
☐ Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of City of Matlosana or any other appropriate ways that may include an advertisement in the Government Tender Bulletin.
☐ No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake or procuring the goods or services otherwise than through a competitive bidding process.

7.1 Competitive bidding is where open competition exists and the requirement is advertised timely for all prospective bidders to participate and therefore allowing unfettered competition.
7.2 Competitive bidding also includes two-stage bidding, pre-qualifying bidders and the establishment of a list of approved providers.

7.3 ADVERTISED BIDS
7.3.1 The Bid Specification Committee must compile a comprehensive specification for the required goods or functional services, or terms of reference (TOR) in the case of professional services or the appointment of consultants.
7.3.2 The Bid Specification Committee, on receipt of approval from the relevant delegated authority, must supply the SCM Unit with the specification/TOR.
7.3.3 The SCM Unit must administer the whole procurement process including advertising in the relevant media.

7.3.4 The SCM Unit must compile a complete bid document, must invite bids, receive bids and facilitate evaluation of bids, then clear successful bidders and facilitate award.

7.4 TWO-STAGE BIDDING

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ A two-stage bidding process may be used for:</td>
</tr>
<tr>
<td>☐ Large complex projects.</td>
</tr>
<tr>
<td>☐ Projects where it may be undesirable to prepare complete detailed technical specifications.</td>
</tr>
<tr>
<td>☐ Long term projects with a duration period exceeding 3 years.</td>
</tr>
</tbody>
</table>

7.4.1 Normally the invitation to bid for major contracts is preceded by a detailed design and engineering of the goods and services to be provided, including the preparation of technical specifications and other bidding documents. However, in the case of contracts for large complex plants or works of a special nature, or where it is undesirable to prepare complete detailed technical specifications, or long term projects with a duration period exceeding three years, it may be undesirable or impractical to prepare complete technical specifications in advance. In such a case, a two-stage bidding procedure may be used. In the first stage (unpriced) technical proposals on conceptual design or performance specifications must be invited, subject to technical as well as commercial clarifications and adjustments. In the second stage final technical proposals and priced bids must be invited with amended bidding documents. These procedures could also be appropriate in the procurement of equipment that is subject to rapid technological advances, such as major computer and communications systems.

7.4.2 Subject to approval by the Accounting Officer or the delegate, City of Matlosana may engage in procurement by means of two-stage bidding, or request for proposals, in the following circumstances:

- 7.4.2.1 If it is not feasible for City of Matlosana to formulate detailed specifications for the goods or construction or, in the case of services, to identify their characteristics and, in order to obtain the most satisfactory solution to its procurement needs.
- 7.4.2.2 If it seeks bids, proposals or offers as to various possible means of meeting its needs.
- 7.4.2.3 When City of Matlosana seeks to enter into a contract for the purpose of research or study.

7.4.3 The prescripts of the PPPFA and its Regulations must always be adhered to. The Regulations do allow that the points prescribed for price is split into points for price and functionality. The method of evaluation, including the allocation of points, must be clearly specified in the bidding documents.

7.5 PRE-QUALIFYING BIDDERS (ONLY WHEN NECESSARY)
7.5.1 Circumstances for pre-qualification

7.5.1.1 Pre-qualification is usually necessary for large or complex works, or in any other circumstances in which the high costs of preparing detailed bids could discourage competition, such as custom designed equipment, industrial plant, specialised services and contracts to be let under turnkey, design and build, or management contracting. This also ensures that invitations to bid are extended only to those who have adequate capabilities and resources. Pre-qualification may also be useful to determine eligibility for preference for domestic contractors, when appropriate. Pre-qualification should be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their:

- Capabilities with respect to personnel, equipment and construction or manufacturing facilities.
- Financial position.

7.5.2 Processes for pre-qualification

7.5.2.1 The scope of the contract and a clear statement of the criteria for qualification must be sent to those who responded to the advert of invitation. All applicants that meet the specified criteria must be allowed to bid. City of Matlosana must inform all applicants of the results of pre-qualification. As soon as pre-qualification is completed, the bidding documents must be made available to the qualified prospective bidders. For pre-qualification for groups of contracts to be awarded over a period of time, a limit for the number or total value of awards to any one bidder may be made on the basis of the bidder’s resources. The list of pre-qualified firms in such instances must be updated periodically.

Verification of the information provided in the submission for pre-qualification must be confirmed at the time of award of contract and award may be denied to a bidder that is judged to no longer have the capability or resources to successfully execute the contract.

7.6 ESTABLISHMENT OF A LIST OF APPROVED PROVIDERS

7.6.1 Where goods or services of a specialized nature are required on a recurring basis, a list of approved providers for the supply of the goods or services may be established through the competitive bidding process.

7.6.2 The intention to establish a list of approved providers must be published in a local newspaper and on the website of City of Matlosana and if so decided, the Government Tender Bulletin. The closing time and date for inclusion in the list of approved providers must be indicated.

7.6.3 For this purpose, a questionnaire should be made available and should make provision for:

- Composition in terms of shareholding.
- Company profile of provider.
- Personnel complement.
- Financial position.
- Ability to provide the goods or services required.

7.6.4 Requirements for admission to the list and criteria must be linked to the numeric value in terms of which applicants will be measured, for example acceptability, capacity, capability, facilities, resources etc. A
predetermined standard method of awarding points must be followed. At this stage the cost and the equity profile of the provider do not determine their inclusion in the list.

7.6.5 The Bid Evaluation Committee must evaluate the applications received and any rejection of applicants must be motivated and recorded.

7.6.6 Once the relevant award structure has approved the list of providers, only the successful applicants are approached, either by obtaining quotations (thresholds below R200 000) on a rotation basis or according to the bid procedure when the goods or services are required. The difference is that the requirement is not advertised in the Government Tender Bulletin again. At this stage all criteria are used in evaluation, namely functionality, cost and preferential procurement.

7.6.7 This list of approved providers must be updated regularly, at least once a year.

7.6.8 This list of approved providers should not be confused with the list of accredited prospective providers per commodity.

7.6.9 Should an approved list of providers be used for the appointment of consultants, please turn to the section dealing with the appointment of consultants.

8 DEVIATION FROM AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES

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<tbody>
<tr>
<td>All deviation shall go through the Bid Evaluation Committee and Adjudication Committed with relevant report and supporting documents.</td>
</tr>
<tr>
<td>☑ Official procurement processes may be dispensed with and any convenient process used if the necessary approval within the framework of the Delegation document has been obtained such a process may include direct negotiations if justification exists.</td>
</tr>
<tr>
<td>☑ City of Matlosana must use limited bidding only in the following circumstances:</td>
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<tr>
<td>☑ Where City of Matlosana applied the competitive (open) bidding process, but the bids received were all non-responsive, thus the time required to go out on the same process has elapsed.</td>
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<tr>
<td>☑ Where City of Matlosana can buy under exceptionally advantageous conditions that only arise in the very short term.</td>
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<tr>
<td>☑ In the event that a change of provider would compel City of Matlosana to obtain spare parts or additional equipment or services that are not compatible or interchangeable with existing equipment or services that were obtained from an original provider.</td>
</tr>
<tr>
<td>☑ The goods, services or works required have to be designed by the provider.</td>
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<tr>
<td>☑ When goods, services or works are produced or available from only a single provider and no reasonable alternative or substitute exists.</td>
</tr>
<tr>
<td>☑ For the acquisition of special works of art or historical objects where specifications are difficult to compile.</td>
</tr>
<tr>
<td>☑ There are legislative, technological or safety reasons to restrict purchases to providers that have proven their capability.</td>
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</tbody>
</table>
8.1 **Limited bidding** is where the competition is limited in one way or another. Limited bidding is reserved for a specific group or category of possible providers. This mechanism must be used responsibly.

8.2 Three categories of limited bidding can be distinguished:

**8.2.1 Multiple source**

8.2.1.1 There is limited competition, hence only a few prospective bidders are allowed to make a proposal. This should be based on a thorough analysis of the market. Reasons for the decision must be documented and readily available.

**8.2.2 Single source**

8.2.2.1 This form of bidding uses a transparent and equitable pre-selection process to request only one, amongst a few prospective bidders, to make a proposal. This should be based on a thorough analysis of the market. Reasons for the decision must be documented and be readily available.

**8.2.3 Sole source**

8.2.3.1 There is no competition and only one bidder exists. Documentation substantiating the sole source must be submitted along with reasons for the decision. Sole source has patent rights

**8.3 DIRECT NEGOTIATION**

**POLICY**

- Direct negotiations are only permitted after approval by the Accounting Officer or the delegate and must be conducted in such a manner that none of the stakeholders is advantaged or prejudiced. Thus care must be taken to ensure that such a process does not allow the bidder concerned a second (unfair) opportunity and is not to the detriment of any other bidder.

- Direct negotiations may only take place under the following circumstances:
  - In cases of urgency due to unforeseen circumstances where lack of planning or negligence did not play a role and where following the standard competitive bidding process or the process prescribed for urgency would not be in City of Matlosana's best interest.
  - Owing to a catastrophic event, there is an urgent need for the goods or services (an emergency), making it impractical to use other methods of procurement because of the time involved in using those methods.
  - In cases where preferred bidders were identified through a competitive bidding process.
In the case of the technical character of the goods or construction, or because of the nature of the services makes, it necessary for the procuring entity to negotiate with suppliers or service providers. Thus the first round of a two-stage bidding process has taken place where inter alia capacity and acceptability was established. The official that can contractually commit City of Matlosana in this regard must lead the negotiation and must be supported by the user group and the SCM Unit.

8.3.1 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:

8.3.1.1 Does not allow any preferred bidder a second or unfair opportunity.
8.3.1.2 Is not to the detriment of other bidders.
8.3.1.3 Does not lead to a higher price than the bid as submitted.
8.3.1.4 Minutes of such negotiations must be kept for record purposes.
8.3.2 The user group must supply the SCM Unit with a comprehensive specification or terms of reference for the requirement, if feasible.
8.3.3 The SCM Unit, in consultation with the user group, must determine the negotiation strategy and properly prepare for the negotiation.
8.3.4 The SCM Unit must compile a formal and complete bid document and administer the whole bidding and negotiation process.
8.3.5 If direct negotiation is used as a mechanism in the case of emergency, then the details regarding the recording of emergency must be noted under the heading for emergency procurement.

8.4 URGENT PROCUREMENT

Irrespective of monetary value, an urgent procurement process only applies where early delivery is of critical importance and the utilisation of the standard procurement process is either impossible, or impractical.

In urgent cases City of Matlosana may dispense with the invitation of bids and may obtain the requirement by means of quotations, preferably making use of the list of prospective providers per commodity or otherwise in any manner to the best interest of City of Matlosana.

The appropriate course of action for urgency must be justifiable for the circumstances.

The nature of the urgency and the details of the justifiable procurement process followed in the circumstances must be recorded and reported.

8.4.1 When the user group identifies urgency, the urgent case must be certified by the manager of the user group as urgent and submitted to the SCM Unit for processing.
8.4.2 As part of the request, the user group must provide the SCM Unit in writing with the following:

8.4.2.1 The 3 quotations obtained from the list of accredited prospective providers, where possible.
8.4.2.2 The nature of the urgency.
8.4.2.3 The date and time thereof.
8.4.2.4 The details of the procurement action to be taken.
8.4.2.5 The envisaged result if the standard procurement procedure must be followed.
8.4.3 The SCM Unit must evaluate and recommend each case and submit it to the relevant award structure for the adjudication. Thus the relevant award structure approves the appropriate procurement process, the action to be taken and the recommendation to mitigate the urgency. The SCM Unit finalises the case.
8.4.4 The SCM Unit must record such incidents for quarterly reporting to the Accounting Officer.

8.5 EMERGENCY PROCUREMENT

<table>
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<tr>
<td>o 8.1 Irrespective of monetary value, an emergency procurement process only applies in serious, unexpected and potentially dangerous circumstances that require immediate rectification:</td>
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<tr>
<td>o 8.2 In the event of a threat or interruption in City of Matlosana’s ability to execute its mandate.</td>
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<td>o 8.3 In the event of an immediate threat to the environment or human safety.</td>
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<tr>
<td>o 8.4 The standard procurement processes may be bypassed. City of Matlosana may dispense with the invitation of bids and may obtain the requirement by means of quotations by preferably making use of the list of accredited prospective providers or otherwise in any manner to the best interest of City of Matlosana.</td>
</tr>
<tr>
<td>o 8.5 The appropriate course of action for emergency must be justifiable for the circumstances.</td>
</tr>
<tr>
<td>o 8.6 The nature of the emergency and the details of the justifiable procurement process followed must be recorded and reported.</td>
</tr>
<tr>
<td>o 8.6.1 When the user group identifies an emergency, it must be endeavoured to involve the SCM Unit, the Accounting Officer, or the CFO. The initiating department should provide the municipality with a written account stating the reasons for deviating from the invitation of competitive bids and also as to how they will maintain fairness and reasonableness in price. The emergency must be certified by the manager of the user group as an emergency and submitted to the SCM Unit for processing where possible.</td>
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<tr>
<td>o The presence of imminent risk of, an extreme or emergency situation arising from one or more of the following:</td>
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<tr>
<td>o Disaster or imminent disaster</td>
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<td>o Human injury or death</td>
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<td>o Human suffering or deprivation of human rights</td>
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<tr>
<td>o Serious damage to property or financial loss</td>
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<tr>
<td>o Livestock or animal injury, suffering or death</td>
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<tr>
<td>o Serious environmental damage or degradation</td>
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<td>o Interruption of essential services or</td>
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</table>
8.5.1 Where possible, the manager of the SCM Unit must evaluate and recommend each case separately and submit it to the relevant award structure for adjudication. Thus the relevant award structure approves the appropriate procurement process, the action to be taken and a recommendation to mitigate the emergency. The SCM Unit finalises the case.

8.5.2 In the event that it was not possible to liaise with the SCM Unit, the user group must, within 48 hours of such an emergency, inform the SCM Unit in writing of the following:

8.5.2.1 The nature of the emergency.
8.5.2.2 The date and time thereof.
8.5.2.3 The details of the procurement action taken.
8.5.2.4 The envisaged results if the standard procurement process had been followed.
8.5.3 Should it not be possible to inform the SCM Unit within 48 hours, the Accounting Officer must be informed of this fact?
8.5.4 As soon as the detail of the emergency procurement becomes available the SCM Unit must forward the detail to the Accounting Officer for notification.
8.5.6 The SCM Unit must record such incidents for quarterly reporting to the Accounting Officer.

9 PROCUREMENT FROM ABROAD

9.1 City of Matlosana may procure from abroad if it can be certified in writing that:
9.2 The product/service cannot be sourced locally or through local representatives and that no other similar product will serve the purpose.
9.3 That a local sourcing process has been run without any success.
9.4 The prices of the locally available supply/service are exorbitant.
9.5 For procurement outside the boundaries of South Africa, the same process as for procurement within South Africa must be followed except for the following:
9.6 Determining international advertising mechanisms.
9.7 Determining the utilisation of conditions applicable to foreign countries, such as Inco terms, if required.
9.8 Determining whether the price should be indicated in foreign currency, and if so, which currency.
9.9 The estimated cost Free On Board (FOB) in foreign currency plus conversion factors.
9.10 Always endeavour to find an agent in the country for a product that must be purchased.
9.11 Once a certificate can be produced to show that the product cannot be sourced locally, international sourcing can commence.
9.12 The stipulations of the General Conditions of Contract (GCC) are not necessarily applicable abroad, but overseas purchases, where applicable, are subject to the conditions applicable to the European Community. Such set of conditions are referred to as Inco terms.
9.13 City of Matlosana must ensure that their international exchange system complies with the aforementioned policy where applicable.

10 TERM CONTRACTS

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<tr>
<td>City of Matlosana may enter into specific term contracts that are arranged for the specific repetitive requirements of the City of Matlosana.</td>
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10.1 A term contract is a contract entered into for the supply of goods, the rendering of services or the disposal of movable assets over a specified period of time but for a minimum period of one year. The period of time for completion of the contract must always be prescribed in the relevant bid documents.

10.2 The SCM Unit must arrange and renew term contracts for requirements of a repetitive nature through the invitation of competitive bids.

10.3 Orders for items available on such a term contract must be placed irrespective of the value of the order, unless a specific cap has been placed on the value of a single order.

10.3.1 New bids may not be invited for items already available on a term contract.

10.3.2 Small quantities may, however, be acquired outside the contract if:

10.3.2.1 An emergency arises.

10.3.2.2 The supplier’s point of delivery is not situated at or near the required point of delivery.

10.3.2.3 The required supplies are not readily available.

<table>
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<tr>
<th>POLICY</th>
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<tr>
<td>The normal policy and procedures apply to the appointment of consultants.</td>
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- The Accounting Officer may, in terms of MFMA Regulation 35(1), procure consulting services provided that any Treasury Guidelines in respect of consulting services are taken into account when such procurements are made. *This Manual is based on the National Treasury Guidelines.*

- Consultancy services must be procured through competitive bids if:
  - The value of the contract exceeds R200 000 (VAT included)
  - The duration period of the contract exceeds one year.
  - In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:
    - All consultancy services provided to an organ of state in the last five years.
1 INTRODUCTION

1.1 The purpose of this section is to explain the procedures for selecting, contracting, and monitoring consultants required for projects. In general, the procedures described in the previous and following chapters apply. Only the peculiarities of appointing consultants are dealt with herein, as the services to which these procedures apply, are of an intellectual and advisory nature. These procedures do not apply to general services such as construction works, manufacture of goods, operation and maintenance of facilities or plants, surveys, exploratory drilling, aerial photography, satellite imagery, catering, cleaning and security in which the physical aspects of the activity predominate.

1.2 The Accounting Officer must, if requested to do so by the National Treasury or the Provincial Treasury, appoint a person with appropriate skills and experience, either from within or outside the municipality, as the transaction advisor to assist and advise the municipality on the preparation and procurement of a public private partnership agreement.

1.3 The term consultant includes, among others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organisations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organisations (NGOs) and individuals.

1.4 The Accounting Officer may use these organisations as consultants to assist in a wide range of activities such as policy advice, reform management, engineering services, construction supervision, financial services, procurement services, social and environmental studies and identification, preparation and implementation of projects to complement City of Matlosana's capabilities in these areas.

1.5 Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available and the Accounting Officer cannot be reasonably expected either to train or to recruit people in the time available.

1.6 The relationship between City of Matlosana and the consultant should be one of purchaser/provider and not employer/employee. The work undertaken by a consultant should be regulated by a contract. The Accounting Officer or delegate is, however, responsible for monitoring and evaluating contractor performance and outputs against project specifications and targets and should take remedial action if performance is below standard.

2 PRIMARY REASONS FOR THE APPOINTMENT OF CONSULTANTS

2.1 Consultants are engaged principally for the following reasons:

2.1.1 To provide specialised services for limited periods without any obligation of permanent employment.
2.1.2 To benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing an assignment.

2.1.3 To provide independent advice on the most suitable approaches, methodologies and solutions of projects.

3 MINIMUM REQUIREMENTS WHEN APPOINTING CONSULTANTS

3.1 When appointing consultants, it is necessary to strive to satisfy the following minimum requirements:

3.1.1 Meeting the highest standards of quality and efficiency.

3.1.2 Obtaining advice that is unbiased, that is, being delivered by a consultant acting independently from any affiliation, economic or otherwise, which may cause conflicts between the consultant’s interests and those of government.

3.1.3 Ensuring the advice proposed, or assignment executed, meets the ethical principles of the consultancy professions.

4 APPLICABILITY OF PROCEDURES

4.1 The procedures outlined herein apply to all contracts for consulting services. In procuring consulting services, the Accounting Officer or the delegate must satisfy himself/herself that:

4.1.1 The procedures to be used will result in the selection of consultants who have the necessary professional qualifications.

4.1.2 The selected consultant will carry out the assignment in accordance with the agreed schedule.

4.1.3 The scope of the services is consistent with the needs of the project.

5 GENERAL APPROACH

5.1 The Accounting Officer or the delegate is responsible for preparing and implementing the project, for selecting the consultant, awarding and subsequently administering the contract. While the specific rules and procedures to be followed for selecting consultants depend on the circumstances of the particular case, at least the following four major considerations should guide the Accounting Officer or delegate in the selection process:

5.1.1 The need for high-quality services.

5.1.2 The need for economy and efficiency.

5.1.3 The need to give qualified consultants an opportunity to compete in providing the services.

5.1.4 The importance of transparency in the selection process.

5.2 In the majority of cases, these considerations can best be addressed through competition among firms in which the selection is based both on the quality of the services to be rendered and on the cost of the services to be provided (Quality- and Cost-Based Selection [QCBS]) as described below. For complex or highly specialised assignments or those that invite innovations, selection based on the quality of the proposal alone (Quality-Based Selection [QBS]), is more appropriate. However, there are cases when QCBS is not the most appropriate method of selection.
5.3 The method of selection is determined by the scope of the assignment, the quality of the service, the complexity of the assignment and whether assignments are of a standard or routine nature. Other methods of selection and the circumstances that are appropriate are outlined below.

5.4 When appropriate, City of Matlosana may include under the special conditions of contract, the following or similar condition:

5.4.1 “A service provider may not recruit or shall not attempt to recruit an employee of the principal for purposes of preparation of the bid or for the duration of the execution of this contract or any part thereof”.

6 CONFLICT OF INTEREST

6.1 Consultants are required to provide professional, objective and impartial advice and at all times hold the client’s interests paramount, without any consideration for future work and strictly avoid conflicts with other assignments or their own corporate interests. Consultants should not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of City of Matlosana or the State. Without imitation on the generality of this rule, consultants should not be hired under the following circumstances:

6.1.1 A firm or any of its affiliates that has been engaged by City of Matlosana to provide goods or works for a project should be disqualified from providing consulting services for the same project. Similarly, a firm or any of its affiliates, hired to provide consulting services for the preparation or implementation of a project should be disqualified from subsequently providing goods or services related to the initial assignment (other than a continuation of the firm’s earlier consulting services as described below) for the same project, unless the various firms (consultants, contractors, or suppliers) are performing the contractor’s obligations under a turnkey or design-and-build contract.

6.1.2 Consultants or any of their affiliates should not be hired for any assignment, which by its nature, may be in conflict with another assignment of the consultants. As an example, consultants assisting a client in the privatisation or set-up of public assets should not purchase, nor advise purchasers of such assets or become part of the set-up.

7 ASSOCIATIONS BETWEEN CONSULTANTS

7.1 Consultants may associate with each other to complement their respective areas of expertise, or for other reasons. Such an association may be for the long term (independent of any particular assignment) or for a specific assignment. The “association” may take the form of a joint venture or a sub-consultancy. In case of a joint venture, all members of the joint venture must sign the contract and are jointly and severally liable for the entire assignment. Once the bids or Requests for Proposals (RFPs) from service providers are issued, any association in the form of joint venture or sub-consultancy among firms is permissible only with the approval of the Accounting Officer or the delegate. City of Matlosana should not compel consultants to form associations with any specific firm or group of firms, but may encourage associations with the aim to enhance transfer of skills.

8 PROMOTING GOVERNMENT’S PREFERENTIAL POLICIES
When consultants are appointed, the prescripts of the Preferential Procurement Regulations, 2001, must be adhered to. These relate to the compulsory involvement of HDIs and the voluntary promotion of the RDP goals.

9 TRAINING OR TRANSFER OF KNOWLEDGE AND SKILLS

If the assignment includes an important component for training or transfer of knowledge and skills, the TOR must indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for the training programme must be included in the consultant's contract and in the budget for the assignment.

10 STEPS TO FOLLOW WHEN SELECTING CONSULTANTS

There are essentially four distinct stages in the recommended selection process:

10.1 Identify the approach.
10.1.2 Invite bids/proposals.
10.1.3 Receive responses.
10.1.4 Evaluate responses.

Other aspects of appointment (such as advertising, opening of proposals) are no different from those set out in the rest of this Manual.

10.3 Each of the four stages above is described in the sections below.

11 IDENTIFY THE APPROACH

Various approaches may be followed in selecting consultants. As stated earlier, in most instances, “Quality and cost based selection” (QCBS) is recommended. However, other possibilities are:

11.1.1 Quality based selection.
11.1.2 Selection under a fixed budget.
11.1.3 Least cost selection.
11.1.4 Single source selection.

12 APPROACHES

In determining the most appropriate approach, it may be useful to ask: What sort of Consultancy is required? Is it for:

TYPE OF CONSULTANCY APPROACH TO USE

An assignment that is not complex or specialised Use quality and cost based selection (QCBS). A complex or highly specialised assignment, for which consultants are expected to demonstrate innovation in their proposals (for example, financial sector reforms) Use quality based selection (QBS). An assignment that has a high downstream impact and requires the best available experts (for example, management studies) Use QBS. An assignment that could be carried out in substantially different ways, hence proposals will not be comparable (for example, sector and policy studies in which the value of the services depends on the quality of the analysis) Use QBS. A simple assignment, that is precisely defined and the budget fixed Use ‘Selection under a fixed budget’, but evaluate technical proposals first as in QCBS. A standard or routine assignment (e.g. an audit, engineering
design of noncomplex works) Use ‘Least-cost selection’. Potential providers may be obtained from the list of approved service providers. A very small assignment that does not justify the preparation and evaluation of competitive Proposals Selection based on Consultants’ qualifications.

Potential suppliers may be obtained from the list of approved service providers. A task that represents a natural continuation of previous work carried out by the firm Use ‘Single-source selection. An emergency operation May use ‘Single source selection.’

An assignment where only one firm is qualified or has experience of exceptional worth for the Assignment Use ‘Single-source selection’. Any other situation Use QCBS, either by requesting a “Bid” or a “Proposal”

13 INVITE BIDS/PROPOSALS, USING QCBS

13.1 REQUEST FOR BIDS

13.1.1 The following steps would generally be followed in appointing consultants where a clear TOR, including a detailed task directive were compiled and the objectives, goals and scope of the assignment are clearly defined.

13.2 PREPARATION OF THE TOR’s

13.2.1 City of Matlosana should prepare the TOR. The scope of the services described should be compatible with the available budget. The TOR should define clearly the task directive (methodology), objectives, goals and scope of the assignment and provide background information, including a list of existing relevant studies and basic data, to facilitate the consultants’ preparation for their bids.

13.2.2 Time frames linked to various tasks must be specified, as well as the frequency of monitoring actions. The respective responsibilities of City of Matlosana and the consultant must be clearly defined.

13.2.3 The evaluation criteria, their respective weights, the minimum qualifying score for functionality and the values that will be applied for evaluation must be clearly indicated. The evaluation criteria must include at least the following:

13.2.3.1 Consultant’s experience relevant to assignment.

13.2.3.2 The quality of the methodology.

13.2.3.3 The qualifications of key personnel; and

13.2.3.4 The transfer of knowledge (where applicable).

13.2.4 In more complicated projects, provision may also be made for pre-bid briefing sessions or presentations by bidders as part of the evaluation process.

13.2.5 A clear indication must be given of which preference point system in terms of the PPPFA and its associated Regulations will be applicable as well as the goals to be achieved and the points allocated for these goals.
13.2.6 Detailed information on the evaluation process must be provided by firstly indicating the ratio of percentage between functionality and price. The percentage for price must be determined taking into account the complexity of the assignment and the relative importance of functionality. The percentage for price is normally determined and approved by the Accounting Officer or the delegate prior to finalising the TOR.

13.2.7 If transfer of knowledge or training is an objective, it must be specifically outlined along with details of number of staff to be trained, etc.; this will enable consultants to estimate the required resources. The TOR must list the services and surveys necessary to carry out the assignment and the expected outputs (for example reports, data, maps, surveys, etc), where applicable.

13.2.8 Evaluation criteria could be divided into sub-criteria.

13.2.9 Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources will be earmarked. The cost estimate should be based on the Accounting Officer or delegate assessment of the resources needed to carry out the assignment such as staff time, logistical support and physical inputs (i.e. vehicles, laboratory equipment, etc). The cost of staff time must be estimated on a realistic basis for foreign and local personnel.

13.2.10 The TOR must specify the validity period (normally 60 – 90 days).

13.2.11 The TOR must form part of the standard bid documentation. At this stage the evaluation panel, consisting of at least three members who are demographically representative in terms of race, gender and expertise, must also be selected and finalised.

13.3 DRAFTING OF THE TERMS OF REFERENCE

13.3.1 A consultant must execute his/her tasks according to the TOR.

13.3.2 The TOR must clearly define the task directive (methodology), objectives, goals and scope of the assignment and provide background information to facilitate the consultants' preparation of their bids. It must include at least the following:

13.3.2.1 Timeframes linked to various task and deliverables. It should be agreed up front what the consultant's work product will be. Also, the ownership of any work product must be specified. (The worked produced by the consultant as part of the assignment becomes the intellectual property of CITY OF MATLOSANA).

13.3.2.2 Nature and frequency of monitoring actions.

13.3.2.3 Respective responsibilities of City of Matlosana and consultant.

13.3.2.4 Evaluation criteria, its respective weights, minimum qualifying score for functionality, among others:

- Consultant’s experience.
- Quality of the methodology.
- Qualification of key personnel.
- Transfer of knowledge (where applicable).
- Pre-bid briefing sessions or presentations by bidders, if necessary.
- The relevant PPPFA preference point system to be used.
PPPFA goals to be attained through the contract as well as points allocated for these goals.

The ratio between price and functionality.

Consultants may be requested to submit their prices and proposals in two separate envelopes (two-envelope system).

13.4 REQUEST FOR PROPOSALS
13.4.1 This method should be followed where selection is based both on the quality of a proposal and on the cost of the service through competition among firms. This method will be applicable on more complex projects where consultants are requested and encouraged to propose their own methodology and to comment on the TOR in their proposals.

13.4.2 Where clear TOR and scope of the project do not exist, but where the objectives and goals of the assignment are clearly defined, a request for proposals (RFP) is published.

13.4.3 The following documents must be included in the RFP:

Preparation and issuance of RFP
Whenever possible, include at least the following documents in the RFP:

- Letter of Invitation;
- Information to Consultants;
- The TOR; and
- The proposed contract.

Letter of invitation (LOI)
The LOI should state the intention to enter into a contract for the provision of consulting services, the details of the client and the date, time and address for submission of proposals.

13.5 Information to Consultants (ITC)
The ITC should contain all necessary information that would assist consultants to prepare responsive proposals. It must be transparent and provide information on the evaluation process by indicating the evaluation criteria and factors and their respective weights and the minimum qualifying score for functionality. A clear indication must be given of which preference points system will be applicable in terms of the PPPFA and its Regulations, as well as the goals to be targeted and the points allocated for each goal. The budget is not specified (since cost is a selection criterion), but should indicate the expected input of key professionals (staff time). Consultants, however, should be free to prepare their own estimates of staff time necessary to carry out the assignment.

The ITC must specify the proposed validity period (normally 60–90 days). A detailed list of the information that should be included in the ITC is given in the TOR. TOR A specialist in the area of the assignment should compile the TOR and the scope of services described should be compatible with the available budget. The TOR must define as clearly as possible the objectives, goals and scope of the assignment including background information to facilitate the consultant in the preparation of its proposal. The TOR must be compiled in such a manner that consultants are able to propose their own methodology and staffing and be encouraged to comment on the TOR.
in their proposals. Depending on the circumstances, it may be indicated that proposals should be submitted in two separate clearly marked envelopes, one containing the technical proposal and the other the cost for the assignment.

In cases where pre-qualification/short listing is required, the TOR should indicate the basis of pre-qualification/short listing, for instance the number of minimum points to be scored to prequalify. Contract Use the appropriate Standard Form of Contract issued by the National Treasury. Any changes necessary to address specific project issues should be introduced through Contract Data Sheets or through Special Conditions of Contract and not by introducing changes in the wording of the General Conditions of Contract included in the Standard Form. When these forms are not appropriate (for example, for pre-shipment inspection, training of students in universities), use other acceptable contract forms.

13.6 RECEIPT OF PROPOSALS

13.6.1 City of Matlosana must allow enough time for consultants to prepare their proposals. The time allowed should depend on the assignment, but normally should not be less than four weeks or more than three months (for example, for assignments requiring establishment of a sophisticated methodology, preparation of a multidisciplinary master (plan).

13.6.2 During this interval, the firms may request clarification about the information provided in the RFP. City of Matlosana must provide clarification in writing and copy them to all firms who intend to submit proposals. City of Matlosana may set a deadline for the request of clarification, which should be at least two days before the closing date of the bid to still allow for distribution of the answers and to provide time to take the content of the feedback into consideration. If necessary, City of Matlosana may extend the deadline for submission of proposals.

13.6.3 The technical and financial proposals must be submitted at the same time. No amendments to the technical or financial proposal must be accepted after the deadline.

13.6.4 To safeguard the integrity of the process, the technical and financial proposals must be submitted in separate sealed envelopes. The technical envelopes must be opened immediately after the closing time for submission of proposals. The financial proposals must remain sealed until opened publicly. Any proposal received after the closing time for submission of proposals must be returned unopened.

13.7 EVALUATION OF BIDS/PROPOSALS

13.7.1 Within the ambit of the Preferential Procurement Regulations, bids/proposals for the appointment of consultants should be evaluated on the basis of functionality and price as well as the achievement of specified RDP goals. The evaluation should be carried out in two phases – first the functionality and then the price. The combined percentages allocated for functionality and price must total to 100%. The ratio used for the division between functionality and price must be determined and approved by the Accounting Officer or the delegate. It must be made known up-front in the bid documents. Score sheets should be prepared and provided to panel members to evaluate the bids on functionality. In view of impartiality, members of bid committees may not also act as panel members.
13.7.2 The score sheet must contain all the criteria and the weight for each criterion as indicated in the TOR as well as the values to be applied for evaluation. Each panel member must after thorough evaluation award his/her own value to every criterion without discussing any aspect of any bid with any of the other members. Under no circumstances may additional evaluation criteria be added to those originally indicated in the bid documentation nor may the evaluation criteria be amended or omitted after closing of the bid. Score sheets must be signed by panel members. In the event of vast discrepancies in the values awarded for each criterion. Written motivation may be requested from panel members.

13.8 CALCULATION OF PERCENTAGE FOR FUNCTIONALITY

13.8.1 The percentage scored for functionality must be calculated as follows:

13.8.1.1 Each panel member must award values for each individual criterion on a score sheet. The value scored for each criterion must be multiplied with the specified weighting for the relevant criterion to obtain the marks scored for the various criteria. These marks must be added to obtain the total score. The following formula must then be used to convert the total score to a percentage for functionality:

\[ \frac{X \times Ap}{Ms} = Ps \]

Where

- \( Ps \) = percentage scored for functionality by bid/proposal under consideration
- \( So \) = total score of bid/proposal under consideration
- \( Ms \) = maximum possible score
- \( Ap \) = percentage allocated for functionality

13.8.1.2 The percentages of each panel member must be added together and divided by the number of panel members to establish the average percentage obtained for functionality.

13.8.1.3 After calculation of the percentage for functionality, the prices of all bids that obtained the qualifying score for functionality should be taken into consideration.

13.8.1.4 Bids/proposals that do not score a certain specified minimum percentage for functionality may be disqualified and not be considered further.

13.9 CALCULATION OF PERCENTAGE FOR PRICE

13.9.1 The percentage scored for price must be calculated as follows:

13.9.1.1 The lowest acceptable bid/proposal will obtain the maximum percentage allocated for price. The other bids/proposals with higher prices will proportionately obtain lower percentages based on the following formula:

\[ \frac{Pt \times Ap}{Ps} = P_{\text{min}} \]

Where

- \( Ps \) = percentage scored for price by bid/proposal under consideration
Pmin = lowest acceptable bid/proposal
Pt = price of bid/proposal under consideration
Ap = percentage allocated for price

13.9.2 The “Guide on Hourly Fee Rates for Consultants” issued by the Department of Public Service and Administration, accessible from the website www.dpsa.gov.za (click on “Service Delivery Improvement” and then click on “Consultant Frameworks”) should be used as a benchmark to evaluate the offered tariffs or to determine the reasonableness thereof.

13.10 CALCULATION OF POINTS FOR FUNCTIONALITY AND PRICE

13.10.1 The percentages obtained for functionality must be added to the percentage obtained for price to obtain a percentage out of 100. This in turn must be converted to points out of 80 or 90 in terms of Regulation 8 of the Preferential Procurement Regulations.

13.10.2 The points scored out of 80 or 90 must be calculated according to the following formula

13.10.2.1 The 80/20 preference point system (up to R500 000)

\[ 80(1) \times R_s \times P_s \times H_s \times R_s \]

13.10.2.2 The 90/10 preference point system (above R500 000)

\[ 90(1) \times R_s \times P_s \times H_s \times R_s \]

Where

\[ P_s = \text{points scored for functionality and price of the bid/proposal under consideration} \]

\[ H_s = \text{highest percentage scored by any acceptable bidder for functionality and price} \]

\[ R_s = \text{percentage scored for functionality and price by bid/proposal under consideration} \]

13.10.3 Points scored for specified goals as contemplated by the PPPFA and its Regulations are then calculated separately and added to the points scored for price and functionality in order to obtain a final point. The contract should be awarded to the bidder scoring the highest points.

13.10.4 Information relating to evaluation of bids and recommendations concerning awards may not be disclosed to the consultants who submitted bids or to other persons not officially concerned with the process until the successful consultant is notified.

Evaluation of technical Proposals (Functionality) The evaluation of the proposals should be carried out in two stages: first the functionality (quality) and then the price.

The evaluation must be carried out in full conformity with the provisions of the RFP. When the two-envelope system is used:

Evaluators of technical proposals may not have access to the financial proposals until the technical evaluation is concluded. Financial proposals may be opened only after the technical evaluation and only in respect of those proposals that achieved the minimum qualifying score for functionality. In respect of functionality, evaluate each technical proposal (using an evaluation panel of three or more specialists in that field of expertise) in terms of the specified evaluation criteria that may include the following:
The consultant’s relevant experience for the assignment;
The quality of the methodology proposed;
The qualifications of the key staff proposed; and
Transfer of knowledge.

Normally divide these criteria into sub-criteria; for example, the sub-criteria under methodology might be innovation and level of detail.

More weight should be given to the methodology in the case of more complex assignments for example multidisciplinary feasibility or management studies.

Evaluation of only “key” personnel is recommended as they ultimately determine the quality of performance. More weight should be assigned to this criterion if the proposed assignment is complex. Review the qualifications and experience of proposed key personnel in their curricula vitae which should be accurate, complete and signed by an authorised official of the consultant and the individual proposed.

When the assignment depends critically on the performance of key staff, such as a Project Manager in a large team of specified individuals, it may be desirable to conduct interviews. The individuals may be rated, among others, in the following sub-criteria as relevant to the assignment:

General qualifications: general education and training, length of experience, positions held, time with the consulting firm staff, and experience in developing countries; Adequacy for the assignment: education, training and experience in that specific sector, field or subject relevant to the particular assignment; and Experience in the region: knowledge of the local language, culture, administrative system, government organization, etc.

Evaluate each proposal on the basis of its response to the TOR. A proposal should be rejected at this stage if it does not respond to important aspects of the TOR or it fails to achieve the minimum qualifying score for functionality as specified in the RFP.

At the end of the process, prepare an evaluation report on the quality of the proposals. The report must substantiate the results of the evaluation and describe the relative strengths and weaknesses of the proposals. All records relating to the evaluation such as individual score sheets must be retained until completion of the project and its audit.

13.11 Evaluation of financial proposal

For the purpose of evaluation, the price must include all local taxes and other reimbursable expenses such as travel, translation, report printing or secretarial expenses. The proposal with the lowest price will obtain the maximum percentage for price as prescribed in the RFP. Proposals with higher prices will proportionately obtain lower percentages according to the method as prescribed in the RFP. Negotiations and award of contract The Accounting Officer or the delegate may negotiate the contract only with the preferred bidder identified by means of the competitive bidding process.

Negotiations should include discussions of the TOR, the methodology, staffing, Accounting Officer inputs, and special conditions of the contract. These discussions should not substantially alter the original TOR or the terms of the contract, lest the quality of the final product, its cost, and the relevance of the initial evaluation is affected.
Major reductions in work inputs should not be made solely to meet the budget. The final TOR and the agreed methodology should be incorporated in “Description of Services,” which should form part of the contract.

The selected firm should not be allowed to substitute key staff, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment. If this is not the case and if it is established that key staff were offered in the proposal without confirming their availability, the firm may be disqualified and the process continued with the next ranked firm. The key staff proposed for substitution should have qualifications equal to or better than the key staff initially proposed. Financial negotiations must include clarification of the consultants’ tax liability. Before the appointment is finalised, the consultant must submit an original tax clearance certificate to the Accounting Officer or delegate.

Proposed unit rates for staff-months and reimbursable may not be negotiated, since these have already been a factor of selection in the cost of the proposal, unless there are exceptional reasons. Proposed unit rates for staff-months and reimbursable may not be negotiated, since these have already been a factor of selection in the cost of the proposal, unless there are exceptional reasons. If the negotiations fail to result in an acceptable contract, the Accounting Officer or the delegate may terminate the negotiations and invite the next ranked firm for negotiations. The original preferred consultant must be informed of the reasons for termination of the negotiations. Once negotiations are commenced with the next ranked firm, the Accounting Officer or the delegate may not reopen the earlier negotiations. After negotiations are successfully completed, the Accounting Officer or the delegate must promptly notify other firms that they were unsuccessful.

Contract award According to the prescripts of the PPPFA and its Regulations, a contract may only be awarded to the bidder who scored the highest number of points, unless objective criteria justify the award to another bidder. Should this be the case, the Accounting Officer must be able to defend the decision not to award the bid to the bidder who scored the highest number of points in any court of law. It should be emphasised that not offering any contributions to prescribed goals as contemplated in the Preferential Procurement Regulations does not disqualify a bidder. Under these circumstances a bidder will score no points for the specified goals. Award the contract, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined:

- To be substantially responsive to the bidding documents;
and
- To be the highest on points.

A bidder should not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

Rejection of all proposals and re-invitation

The Accounting Officer is justified in rejecting all proposals only if all proposals are non-responsive and unsuitable, either because it presents major deficiencies in complying with the TOR, or because it involves costs substantially higher than the original estimate. In the latter case, the feasibility of increasing the budget, or scaling
down the scope of services with the firm should be investigated. The new process may include revising the RFP and the budget.

13.11 OTHER METHODS OF SELECTION

13.11.1 There are a number of other methods that may be used that will be discussed in detail hereunder.

13.12.1 Quality-Based Selection (QBS)

13.12.1 QBS is appropriate for the following types of assignments:

☐ Complex or highly specialised assignments where it is difficult to define precise TOR and the required input from the consultants and when the client expects the consultants to demonstrate innovation in their proposals (for example, country economic or sector studies, multi-sectoral feasibility studies, financial sector reforms);

☐ Assignments that have a high downstream impact and the objective must have the best experts (for example, policy studies of national significance, management studies of large government agencies); and

☐ Assignments that can be carried out in substantially different ways, such that proposals will not be comparable (for example, management advice and sector and policy studies where the value of the services depends on the quality of the analysis).

☐ In QBS, the RFP may request submission of a technical proposal only (without the financial proposal), or request submission of both technical and financial proposals at the same time, but in separate envelopes (two envelope system). The RFP may not disclose the estimated budget, but it may provide the estimated number of key staff time, specifying that this information is given as an indication only and that consultants are free to propose their own estimates.

☐ If technical proposals alone were invited, after evaluating the technical proposals using the same methodology as in QCBS, the Accounting Officer or the delegate should request the consultant with the highest ranked technical proposal to submit a detailed financial proposal. The Accounting Officer or the delegate and the consultant should then negotiate the financial proposal and the contract. All other aspects of the selection process should be identical to those of QCBS. If, however, consultants were requested to provide financial proposals initially together with the technical proposals, safeguards must be built in to ensure that the price envelope of only the selected proposal is opened and the rest returned unopened, after the negotiations are successfully concluded.

13.12.3 Selection under a fixed budget

13.12.3.1 This method is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The RFP must indicate the available budget and request the consultants to provide their best technical and financial proposals in separate envelopes, within the budget. The TOR must be particularly well prepared to ensure that the budget is sufficient for the consultants to perform the expected tasks. Evaluation of all technical proposals must be carried out first as in the QCBS method, where after the price envelopes must be opened in public. Proposals that exceed the indicated budget must be rejected. The consultant who has submitted the highest ranked technical proposal should be selected and invited to negotiate a contract.

13.12.4 Least-cost selection
13.12.4.1 This method is more appropriate to selection of consultants for assignments of a standard or routine nature (audits and so forth) where well-established practices and standards exist and when the contract amount is small. Under this method, a “minimum” qualifying mark for the “functionality” is established. Proposals in two envelopes are invited. Technical envelopes are opened first and evaluated. Those securing less than the minimum mark may be rejected and the financial envelopes of the rest are opened in public. The firm with the highest points should then be selected. Under this method, the qualifying minimum mark should be established, keeping in view that all proposals above the minimum compete only on “cost” and promotion of HDIs and RDP objectives. The minimum mark to qualify must be stated in the RFP.

13.12.5 Selection based on consultants’ qualifications

13.12.5.1 This method may be used for very small assignments when the need for preparing and evaluating competitive proposals is not justified. In such cases, the Accounting Officer or the delegate must prepare the TOR, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment and select the firm with the most appropriate qualifications and references. The selected firm should be requested to submit a combined technical-financial proposal and then be invited to negotiate the contract.

13.12.6 Single-source selection

13.12.6.1 Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost and lacks transparency in selection and could encourage unacceptable practices. Therefore, single-source selection should be used only in exceptional cases. The justification for single-source selection should be examined in the context of the overall interests of the client and the project.

13.12.6.2 Single-source selection may be appropriate only if it presents a clear advantage over competition:

☐ For tasks that represent a natural continuation of previous work carried out by the firm;
☐ Where a rapid selection is essential (for example, in an emergency operation);
☐ For very small assignments; or
☐ When only one firm is qualified or has experience of exceptional worth for the assignment.

13.12.6.3 The reasons for a single-source selection must be recorded and approved by the Accounting Officer or the delegate prior to the conclusion of a contract.

13.12.6.4 When continuity for downstream work is essential, the initial RFP should outline this prospect and if practical, the factors used for the selection of the consultant should take the likelihood of continuation into account. Continuity in the technical approach, experience acquired and continued professional liability of the same consultant may make continuation with the initial consultant preferable to a new competition, subject to satisfactory performance in the initial assignment. For such downstream assignments, the Accounting Officer or the delegate should ask the initially selected consultant to prepare technical and financial proposals on the basis of TOR furnished by the Accounting Officer or the delegate, which should then be negotiated.
13.12.6.5 If the initial assignment was not awarded on a competitive basis or was awarded under tied financing or reserved procurement or if the downstream assignment is substantially larger in value, a competitive process acceptable to the Accounting Officer should be followed.

13.12.6.6 Where, in exceptional instances, it is impractical to appoint the required consultants through a competitive bidding process and a South African based consultant is used, the *Guidelines on Hourly Fee Rates for Consultants* issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs or to determine the reasonableness of the tariffs.

**13.12.7 Selection of individual consultants**

13.12.7.1 Individual consultants may normally be employed on assignments for which:

- Teams of personnel are not required;
- No additional outside professional support is required; and
- The experience and qualifications of the individual are the paramount requirement.

- When coordination, administration, or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.
- Individual consultants should be selected on the basis of their qualifications for the assignment. They may be selected on the basis of references or through comparison of qualifications among those expressing interest in the assignment or approached directly by the Accounting Officer or delegate. Individuals employed by the Accounting Officer or delegate should meet all relevant qualifications and should be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience and as appropriate, knowledge of the local conditions, such as local language, culture, administrative system and government organisation.
- From time to time, permanent staff or associates of a consulting firm may be available as individual consultants. In such cases, the conflict of interest provisions described in these guidelines must apply to the parent firm.

**13.12.8 Selection of particular types of consultants**

13.12.8.1 *Use of Nongovernmental Organizations (NGOs)*

- NGOs are voluntary non-profit organisations that may be uniquely qualified to assist in the preparation, management, and implementation of projects, essentially because of their involvement and knowledge of local issues, community needs, and/or participatory approaches. NGOs may be included in the short list if they express interest and provided that the Accounting Officer or delegate is satisfied with their qualifications. For assignments that emphasize participation and considerable local knowledge, the short list must be entirely composed of NGOs. If so, the QCBS procedure should be followed and the evaluation criteria should reflect the unique qualifications of NGOs, such as voluntarism, non profit status, local knowledge, scale of operation, and reputation. An Accounting Officer or delegate may select the NGO on a single-source basis, provided the criteria outlined for single source selection are fulfilled.
13.12.8.2 Banks

Investment and commercial banks, financial firms and fund managers hired the accounting Officer or delegate for the sale of assets, issuance of financial instruments and other corporate financial transactions, notably in the context of privatisation operations, should be selected under QCBS. The RFP should specify selection criteria relevant to the activity — for example, experience in similar assignments or network of potential purchasers — and the cost of the services. In addition to the conventional remuneration (called a retainer fee”), the compensation includes a “success fee.” This fee can be fixed, but is usually expressed as a percentage of the value of the assets or other financial instruments to be sold. The RFP must indicate that the cost evaluation will take into account the success fee, either in combination with the retainer fee or alone. If alone, a standard retainer fee must be prescribed for all short-listed consultants and indicated in the RFP, and the financial scores must be based on the success fee as a percentage of a pre-disclosed notional value of the assets. For the combined evaluation (notably for large contracts), cost may be accorded a weight higher or the selection may be based on cost alone among those who secure a minimum passing mark for the quality of the proposal. The RFP must specify clearly how proposals will be presented and how they will be compared.

13.12.8.3 Auditors

Auditors typically carry out auditing tasks under well-defined TOR and professional standards. They should be selected according to QCBS, with cost as a substantial selection factor (40−50 points), or by the “Least-Cost Selection.” When consultants are appointed to execute an audit function on behalf of the Accounting Officer, the tariffs agreed by the Auditor–General and the South African Institute for Chartered Accountants (SAICA) should be used as a guideline to determine the appropriate tariff or to determine the reasonableness of the tariffs. These tariffs can be obtained from SAICA’s website under www.saica.co.za. The tariffs are captured in a circular issued by SAICA.

13.12.8.4 “Service Delivery Contractors”

Projects in the social sectors in particular may involve hiring of large numbers of individuals who deliver services on a contract basis. The job descriptions, minimum qualifications, terms of employment and selection procedures must be described in the project documentation.

13.13 ESTABLISHMENT OF A LIST OF APPROVED SERVICE PROVIDERS

13.13.1 Where consultancy services are required on a recurring basis, a panel of consultants/list of approved service providers for the rendering of these services may be established. These panels/lists should be established through the competitive bidding process, usually for services that are of a routine or simple nature where the scope and content of the work to be done can be described in detail.

13.13.2 The intention to establish a panel/list of approved service providers is published in the Government Tender Bulletin and the closing time and date for inclusion in the panel/list of approved service providers must be indicated. For this purpose, a questionnaire must be made available and should make provision for the following:

13.13.2.1 Full details of the service provider, among others:
Composition of the firm in terms of shareholding.
Personnel complement.
Representation of expertise in respect of the disciplines required, e.g. accounting, legal, educational, engineering, computer, etc.
National/international acceptability of experts in the various professions.
Experience as reflected in projects already dealt with.
Financial position.

13.13.2.2 Requirements for admission to the list and criteria should be linked to the numeric value, in terms of which applicants will be measured, for example qualifications, experience, acceptability, facilities and resources, etc. A predetermined standard method of awarding points must be followed.
13.13.2.3 The applications received must be evaluated and any rejection of applicants must be motivated and recorded.
13.13.2.4 Once the panel/list of service providers has been approved, only the successful applicants are approached, depending on the circumstances, either by obtaining quotes on a rotation basis, or according to the bid procedure when services are required, with the exception that the requirement is not advertised in the Government Tender Bulletin again.
13.13.2.5 This list must be updated continuously, at least quarterly.

13.14 EVALUATION OF THE PERFORMANCE OF CONSULTANTS

13.14.1 Consultants must observe due diligence and prevailing standards in the performance of the assignment. The Accounting Officer or delegate must evaluate the performance of consultants appointed in a fair and confidential process. In the case of repeated poor performance, the firm must be notified and provided an opportunity to explain the reasons for it and the remedial action proposed.

13.14.2 Consultants are responsible for the accuracy and suitability of their work. Although City of Matlosana supervises and reviews the consultants' work, no modifications may be made in the final documents prepared by the consultants without mutual agreement. In the case of supervision of works, consultants may have more or less authority to supervise, from full responsibility as an independent project manager, to that of advisor to the client with little authority to make decisions, as determined by City of Matlosana and captured in the contract agreement between City of Matlosana and the consultant.

13.15 TYPES OF CONTRACTS

13.15.1 Lump Sum (Firm Fixed Price) Contract

13.15.1.1 Lump sum contracts are used mainly for assignments where the content and the duration of the services and the required output of the consultants are clearly defined. They are widely used for simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, preparation of data processing systems, and so forth. Payments are linked to outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents and software programs. Lump sum contracts are easy to administer because payments are due on clearly specified outputs.
13.15.2 Time-Based Contract

13.15.2.1 This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others where the completion period may vary, or because the input of the consultants required to attain the objectives of the assignment is difficult to assess. This type of contract is widely used for complex studies, advisory services, and most training assignments. Payments are based on agreed hourly, daily, weekly, or monthly rates for staff (who are normally named in the contract) and on reimbursable items using actual expenses and/or agreed unit prices. The rates for staff include salary, social costs, overheads, fees (or profit), and, where appropriate, special allowances. This type of contract should include a maximum amount of total payments to be made to the consultants. This ceiling amount should include a contingency allowance for unforeseen work and duration and provision for price adjustments, where appropriate. Time-based contracts need to be closely monitored and administered by the client to ensure that the assignment is progressing satisfactorily and payments claimed by the consultants are appropriate. Again the Guidelines on fees for Consultants issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs, or to determine the reasonableness of the tariffs.

13.15.3 Retainer and/or Contingency (Success) Fee Contract

13.15.3.1 Retainer and contingency fee contracts are widely used when consultants (banks or financial firms) are preparing companies for sales or mergers of firms, notably in privatisation operations. The remuneration of the consultant includes a retainer and a success fee, the latter being normally expressed as a percentage of the sale price of the assets.

13.15.4 Percentage Contract

13.15.4.1 These contracts are commonly used for architectural services. It may also be for procurement and inspection agents. Percentage contracts directly relate to the fees paid to the consultant, the estimated or actual project construction cost, or the cost of the goods procured or inspected. Contracts are negotiated on the basis of market norms for the services and/or estimated staff-month costs for the services, or competitive bids. It should be borne in mind that in the case of architectural or engineering services, percentage contracts implicitly lack incentive for economic design and are hence discouraged. Therefore, the use of such a contract for architectural services is recommended only if it is based on a fixed target cost and covers precisely defined services (for example, not works supervision).

13.15.5 Indefinite Delivery Contract (Price Agreement)

13.15.5.1 These contracts are used when the Accounting Officer needs to have “on call” specialised services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance. These are commonly used to retain “advisors” for implementation of complex projects, expert adjudicators for dispute resolution panels, Accounting Officer reforms, procurement advice, technical troubleshooting, and so forth, normally for a period of a year or more.

The Accounting Officer or delegate and the firm agree on the unit rates to be paid for the experts and payments are made on the basis of the time actually used.
13.16 IMPORTANT PROVISIONS

13.16.1 **Currency.** RFPs should clearly state that firms must express the price for their services, in Rand. If the consultants wish to express the price as a sum of amounts in different foreign currencies, they may do so, provided that the Accounting Officer concurs with this practice and that the proposal includes no more than three foreign currencies outside the borders of South Africa. The Accounting Officer must ensure that consultants state the portion of the price representing local costs in Rand. Payment under the contract should be made in the currency or currencies expressed in the formal contract.

13.16.2 **Price Adjustment.** To adjust the remuneration for foreign and/or local inflation, a price adjustment provision should be included in the contract if its duration is expected to exceed 12 months. Exceptionally, contracts of shorter duration may include a provision for price adjustment when local or foreign inflation is expected to be high and unpredictable.

13.16.3 **Payment Provisions.** Payment provisions, including amounts to be paid, schedule of payments, and payment procedures, should be agreed upon during negotiations. Payments may be made at regular intervals (as under time-based contracts) or for agreed outputs (as under lump sum contracts). Payments for advances (for example, for mobilisation costs) exceeding 10 percent of the contract amount should normally be backed by advance payment securities.

Payments must be made promptly in accordance with the contract provisions. To that end:

13.16.3.1 Consultants can be paid directly by the Accounting Officer or delegate.

13.16.3.2 Only disputed amounts may be withheld, with the remainder of the invoice paid in accordance with the contract.

13.16.3.3 The contract should provide for the payment of financing charges if payment is delayed due to the client's fault beyond the time allowed in the contract. The rate of charges should be specified in the contract.

13.16.4 **Bid and Performance Securities.** Bid and performance securities are not recommended for consultants' services. Their enforcement is often subject to judgment calls, they can be easily abused and they tend to increase the costs to the consulting industry without evident benefits, which are eventually passed on to the Accounting Officer.

13.16.5 **Accounting Officer Contribution.** The Accounting Officer normally assigns members of its own professional staff to the assignment in different capacities. The contract between the Accounting Officer and the consultant should give the details governing such staff, known as counterpart staff, as well as facilities that should be provided by the Accounting Officer, such as housing, office space, secretarial support, utilities, materials and vehicles. The contract should indicate measures the consultant can take if some of the items cannot be provided or have to be withdrawn during the assignment and the compensation the consultant will receive in such a case.

13.16.6 **Conflict of Interest.** The consultant may not receive any remuneration in connection with the assignment except as provided in the contract. The consultant and its affiliates may not engage in consulting activities that conflict with the interests of the client under the contract, and must be excluded from downstream
supply of goods or construction of works or purchase of any asset or provision of any other service related to the assignment other than a continuation of the “Services” under the ongoing contract.

13.16.7 **Professional Liability.** The consultant is expected to carry out its assignment with due diligence and in accordance with prevailing standards of the profession. As the applicable law will govern the consultant’s liability to the Accounting Officer, the contract need not deal with this matter unless the parties wish to limit this liability. If they do so, they must ensure that:

13.16.7.1 There may be no such limitation in case of the consultant’s gross negligence or willful misconduct;
13.16.7.2 The consultant’s liability to the Accounting Officer may not be limited to less than the total payments expected to be made under the consultant’s contract, or the proceeds the consultant is entitled to receive under its insurance, whichever is higher; and
13.16.7.3 Any such limitation may deal only with the consultant’s liability toward the client and not with the consultant’s liability toward third parties.

13.16.8 **Staff Substitution.** During an assignment, if substitution is necessary (for example, because of ill health or because a staff member proves to be unsuitable), the consultant may propose other staff of at least the same level of qualifications for approval by the Accounting Officer or the delegate.

13.16.9 **Applicable Law and Settlement of Disputes.** The contract must include provisions dealing with the applicable law and the forum for the settlement of disputes. Should it not be possible to settle a dispute by means of mediation, the dispute may be settled in a South African court of law.

13.17 **ADVERTISING OF EXPECTED AND OUTSTANDING PROCUREMENT**

13.17.1 To obtain expressions of interest, the Accounting Officer should include a list of expected consulting assignments in a General Procurement Notice, which should be updated annually for all outstanding procurement. This must be advertised in the relevant media. When appropriate, the Accounting Officer may also advertise these contracts in an international newspaper or a technical magazine, seeking “expressions of interest.” In such cases the Accounting Officer may also contact embassies and professional organisations. The information requested should be the minimum required to make a judgment on the firm’s suitability and not be so complex as to discourage consultants from expressing interest. Sufficient time (not less than 30 days) should be provided for responses, before preparation of the short list.

13.18 **INFORMATION TO CONSULTANTS (ITC)**

13.18.1 **Scheduling the Selection Process**

13.18.1.1 **Modifications of Contract**

☐ Any granting of a substantial extension of the stipulated time for performance of a contract, agreeing to any substantial modification of the scope of the services, substituting key staff, waiving the conditions of a contract, or making any changes in the contract that would in aggregate increase the original amount of the contract by more than 15 percent, is subject to the approval of the Accounting Officer or his / her delegate.

☐ Whenever possible, the Accounting Officer or delegate should use RFPs, including the ITC, covering the majority of assignments. If under exceptional circumstances, the Accounting Officer or delegate needs to amend
the standard ITC, it should be through the technical data sheet and not by amending the main text. The ITC must include adequate information on the following aspects of the assignment:

- A very brief description of the assignment;
- Standard formats for the technical and financial proposals;
- The names and contact information of officials to whom clarifications should be addressed and with whom the consultants' representative should meet, if necessary;
- Details of the selection procedure to be followed, including:
  - A description of the two-stage process, if appropriate;
  - A listing of the technical evaluation criteria and weights given to each criterion;
  - The details of the financial evaluation;
  - The relative weights for quality and cost in the case of QCBS;
  - The minimum pass score for quality; and
  - The details on the public opening of financial proposals;
  - An estimate of the level of key staff inputs (in staff-months) required of the consultants; and indication of minimum experience, academic achievement, and so forth, expected of key staff or the total budget, if a given figure cannot be exceeded;
- Information on negotiations; and financial and other information that will be required of the selected firm during negotiation of the contract;
- The deadline for submission of proposals;
- A statement that the firm and any of its affiliates will be disqualified from providing downstream goods, works, or services under the project if, in the Accounting Officer's judgment, such activities constitute a conflict of interest with the services provided under the assignment;
- The method in which the proposal must be submitted, including the requirement that the technical proposals and price proposals must be sealed and submitted separately in a manner that will ensure that the technical evaluation is not influenced by price;
- Request that the invited firm acknowledges receipt of the RFP and informs the Accounting Officer or delegate whether or not it will be submitting a proposal;
- The short list of consultants invited to submit proposals, and whether or not associations between short-listed consultants are acceptable;
- The period that the consultants' proposals will be valid (normally 60–90 days) and during which the consultants should undertake to maintain, without change, the proposed key staff, and should hold to both the rates and total price proposed; in case of extension of the proposed validity period, the right of the consultants not to maintain their proposal;
- The anticipated date when the selected consultant is be expected to commence the assignment;
- A statement indicating all prices should be VAT inclusive;
If not included in the TOR or in the draft contract, the Accounting Officer will provide details of the services, facilities, equipment and staff;

- Phasing of the assignment, if appropriate; and likelihood of follow-up assignments;

- The procedure to handle clarifications about the information given in the RFP; and

- Any conditions for subcontracting part of the assignment.

13.18.2 Disbursements

13.18.2.1 The responsibility for the implementation of the project, and therefore for the payment of consulting services under the project, rests solely with the Accounting Officer or delegate.

13.18.3 Consultants’ role

13.18.3.1 When consultants receive the RFP, and if they can meet the requirements of the TOR, and the commercial and contractual conditions, they should make the arrangements necessary to prepare a responsive proposal (for example, visiting the principal of the assignment, seeking associations, collecting documentation, setting up the preparation team). If the consultants find in the RFP documents — especially in the selection procedure and evaluation criteria — any ambiguity, omission or internal contradiction, or any feature that is unclear or that appears discriminatory or restrictive, they should seek clarification from the Accounting Officer or delegate, in writing, within the period specified in the RFP for seeking clarifications.

13.18.3.2 In this connection, it must be emphasised that the specific RFP issued by the Accounting Officer or delegate governs each selection. If consultants feel that any of the provisions in the RFP are inconsistent with the prescripts for SCM (the MFMA and its supply chain management regulations) and/or the PPPFA and its Regulations, they should raise this issue with the Accounting Officer in writing.

13.18.3.3 Consultants should ensure that they submit a fully responsive proposal including all the supporting documents requested in the RFP. It is essential to ensure accuracy in the *curricula vitae* of key staff submitted with the proposals. The *curricula vitae* must be signed by the consultants and the individuals and dated. Non-compliance with important requirements will result in rejection of the proposal. Once technical proposals are received and opened, consultants may not nor permitted to change the substance, the key staff, and so forth. Similarly, once financial proposals are received, consultants may not or permitted to change the quoted fee and so forth, except at the time of negotiations carried out in accordance with the provisions of the RFP.

13.18.4 Confidentiality

13.18.4.1 The process of proposal evaluation is confidential until the contract award is notified to the successful firm. Confidentiality enables the Accounting Officer to avoid either the reality or perception of improper interference. If, during the evaluation process, consultants wish to bring additional information to the notice of the Accounting Officer, they must do so in writing.

13.18.4.2 If consultants wish to raise issues or questions about the selection process, they must communicate in writing with the Accounting Officer in this regard. All such communications should be addressed to the Head of the Department and for the Accounting Officer.
13.18.4.3 Communications that the Accounting Officer or delegate receives from consultants after the opening of the technical proposals must be dealt with as follows:

☐ In the case of contracts any communication must be sent to the Accounting Officer or delegate for due consideration and appropriate action. If additional information or clarification is required from the consultant, the Accounting Officer or the delegate should obtain it and comment on or incorporate it, as appropriate, in the evaluation report.

13.18.5 Debriefing

13.18.5.1 If after notification of award, a consultant wishes to ascertain the reasons on not selecting its proposal, it should address its request to the Accounting Officer in writing in line with MFMA Regulations 49 and 50. If the consultant is not satisfied with the explanation given by the Accounting Officer or delegate, the consultant may refer this matter to the Provincial Treasury, the National Treasury, the Public Protector or a court of law.

16 ACQUISITION MANAGEMENT

QUOTATION/BID COMPILATION AND ISSUING

1 LANGUAGE OF QUOTATION/BID DOCUMENTS

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ City of Matlosana must compile all documentation in at least English.</td>
</tr>
<tr>
<td>☐ Bidding documents may be compiled in other languages as well, subject to stipulated circumstances.</td>
</tr>
</tbody>
</table>

1.1 Bidding documents must be worded such that they permit and encourage competition.

1.2 Should bidding documents be compiled in an additional language, City of Matlosana must ensure that officials with the required language skills are available to review proposals, conduct the evaluation and award process as well as any other communication that may be required during the acquisitioning process.

2 CALLING FOR BIDS

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>☐ Bids must be invited by the SCM Unit unless other groups have been delegated to do so.</td>
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</table>

3 ADVERTISING OF BIDS

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ All bids must at least be advertised in local newspapers, on the City of Matlosana website or any other appropriate ways that may include the Government Tender Bulletin.</td>
</tr>
<tr>
<td>☐ Other means in terms of relevant media must however, be considered to ensure that the target market is reached if the local newspapers and the City of Matlosana website are regarded as not to reach the target market. Cost must be a consideration.</td>
</tr>
</tbody>
</table>
The information of a public advertisement must contain the closure date for the submission of bids. It 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.

The Accounting Officer or delegate may determine a closure date for the submission of bids that is less than the 30 or 14 day requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

A statement that bids may only be submitted on the bid documentation provided by City of Matlosana. Bids submitted must be sealed.

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

3.1 Bids must be advertised at least in a commonly circulated newspaper in the municipal area of jurisdiction and the City of Matlosana website to ensure exposure to potential bidders. Bids may be advertised in the Government Tender Bulletin if and when determined by the Accounting Officer or delegate. All requirements in excess of R30 000 (VAT included) that must be procured by means of formal written price quotations, must be advertised for at least seven days on the City of Matlosana website and by official notice board.

3.2 No late requests for publishing will be accepted by the Government Printer. The SCM Unit must therefore ensure that everybody is aware of the final dates to submit requests to be published in the Government Tender Bulletin. These dates are frequently published in the Bulletin. This principle also applies to all other media City of Matlosana wishes to advertise in.

3.3 The following information must be clearly stipulated in an advertisement:

3.3.1 Sufficient detailed description of the requirement, including the contract period applicable.

3.3.2 The place of work, installation or delivery, for instance Klerksdorp.

3.3.3 Bid number.

3.3.4 Closing date and time.

3.3.5 Where bids are obtainable from: Name of the Institution, street address, postal address, and e mail address, contact person for enquiries, telephone number, facsimile number and office hours (Mondays to Fridays).

3.3.6 Whether site meetings, information/briefing sessions are applicable and whether it is compulsory or not. For the Government Tender Bulletin, this information must be incorporated into the description.

3.3.7 Where bids must be posted or delivered to: Name of the Institution, street address, postal address, and bid box address, contact person for enquiries, telephone number and facsimile number.
3.3.8 For the Government Tender Bulletin, add the category of supplies, services or disposals involved as provided for in the Government Tender Bulletin.

4 CLOSING TIME OF BIDS

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>□ According to the GCC closing time means the latest date and hour specified in the bid documents for the receipt of bids.</td>
</tr>
<tr>
<td>□ Bids of City of Matlosana normally close at 11:00 on the day indicated in the bid documents or as alternatively indicated in the documentation.</td>
</tr>
<tr>
<td>□ The closing of bids must be strictly observed.</td>
</tr>
</tbody>
</table>

5 DETERMINING THE CLOSING PERIOD

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>□ Normal closing period from the date on which the advertisement is placed in the relevant publications, is not less than:</td>
</tr>
<tr>
<td>□ 30 days in the case of transactions over R10 million (VAT included) or in the case of transactions of a long term nature.</td>
</tr>
<tr>
<td>□ 14 days in any other case.</td>
</tr>
<tr>
<td>□ As a minimum requirement, where goods are to be imported, bids must close at least 5 weeks from the date of the publication.</td>
</tr>
<tr>
<td>□ The Accounting Officer or delegate may determine a shorter than specified closing date, but only if such shorted 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.</td>
</tr>
<tr>
<td>□ Approval for the shortening or lengthening of the closing period must be obtained in accordance with the Accounting Officer's delegated powers. Reasons for the deviation must be documented and fully motivated.</td>
</tr>
<tr>
<td>□ The principle of allowing bidders enough time to prepare comprehensive bids must be observed.</td>
</tr>
<tr>
<td>□ Where a shorter period is involved, care must be taken that a reasonable time is allowed for the preparation of the bidder's offer.</td>
</tr>
</tbody>
</table>

5.1 A longer closing period may be necessary where a product will be imported or a complex response is required from bidders. Where complex supply contracts, particularly those requiring refurbishing of existing works, items or equipment are involved, this period should generally not be less than eight weeks to enable bidders to conduct investigations before submitting their bids. In such cases, pre-bid information meetings for the
bidders to seek clarifications and site visits may be necessary. City of Matlosana must provide reasonable access
to project sites for such visits.

5.2 In justifiable cases, bids may be advertised for a shorter period as the Accounting Officer or the delegate may
determine. A shorter closing period should allow adequate time for responses to be prepared and submitted, and
must not disadvantage any prospective bidder from bidding.

6 DETERMINING THE VALIDITY PERIOD

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>The validity period must allow City of Matlosana sufficient time to finalise the evaluation and award of the quotation/bid.</td>
</tr>
<tr>
<td>Bids must be valid for at least 90 days from the closing date of the bid. Approval is to be obtained within the Accounting Officer’s delegated powers for periods other than 90 days.</td>
</tr>
<tr>
<td>An extension of validity must be requested in writing from all bidders before the expiry date.</td>
</tr>
</tbody>
</table>

6.1 The SCM Unit responsible for the invitation of the bids is also responsible for the extension of the validity period, if and when required, before the validity lapses.

6.2 Bidders must be required to submit bids valid for a period specified in the bidding documents. This period should be sufficient to enable City of Matlosana to complete the comparison and evaluation of bids, review the recommendation, clear the bidder and adjudicate and award the contract.

6.3 For procurement from abroad a longer validity period may be necessary. Approval must be obtained within the Accounting Officer’s delegated powers.

6.4 An extension of bid validity, if justified in exceptional circumstances, must be requested in writing from all bidders before the expiry date. The extension should be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract. In the case of fixed price contracts, requests for second and subsequent extensions should be permissible only if the request for extension provides for an appropriate adjustment mechanism of the quoted price to reflect changes of inputs for the contract over the period of extension, should the bidders so require.

6.5 Bidders must have the right to refuse to grant such an extension without forfeiting their bid security, but those who are willing to extend the validity of their bids must provide a suitable extension of bid security, if applicable.

7 AVAILABILITY OF BID DOCUMENTS

<table>
<thead>
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<th>POLICY</th>
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<tbody>
<tr>
<td>Bid documents must be ready and available before the requirement is advertised.</td>
</tr>
<tr>
<td>Bid documents may be collected by or may be e-mailed or posted to prospective bidders.</td>
</tr>
</tbody>
</table>

7.1 Bid documents may be made available to bidders at more than one location, should City of Matlosana deem it necessary.
7.2 Prospective bidders must be allowed to collect documents at the indicated locations from the date that the requirement is advertised. The bid document must also provide for prospective bidders to request the document in writing for e-mailing or posting to the prospective bidder.

7.3 Should posting of documents be requested, City of Matlosana must not take responsibility for the bidder receiving it on time to still be in a position to bid. This is the responsibility of the prospective bidder.

8 SALE OF BID DOCUMENTS

POLICY

☐ City of Matlosana must determine under which circumstances it will sell its bid documents.

☐ All suppliers must in the relevant circumstances, pay a non-refundable predetermined sum of money for all bid documents. This sum must be determined within a predetermined accountable framework.

8.1 City of Matlosana resolve to charge a non-refundable fee for bid documents inclusive of VAT as per the table below:

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>RANGE</th>
<th>(Incl. VAT) CHARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICRO</td>
<td>Less or equal to R200 000</td>
<td>R50.00</td>
</tr>
<tr>
<td>SMALL</td>
<td>Greater than R200 000 but Less than R500 000</td>
<td>R100</td>
</tr>
<tr>
<td>MEDIUM</td>
<td>Greater than R500 000 but Less than R1 500 000</td>
<td>R250</td>
</tr>
<tr>
<td>MEDIUM LARGE</td>
<td>Greater than R1.500.000 Less than R5000 000</td>
<td>R300</td>
</tr>
<tr>
<td>LARGE</td>
<td>Greater than R5000 000</td>
<td>R500</td>
</tr>
</tbody>
</table>

8.2 The purpose of this fee is to cover the printing costs of the bid document.

9 RESPONSES RECEIVED

POLICY

☐ City of Matlosana must maintain a register/list of responses to an advertisement or the individuals/organisations targeted in the case of quotations.

☐ The response list must contain the following information:

☐ Bid number.

☐ Name of the bidder to whom documents were issued to.

☐ Name of the person/organisation that collected the bid on behalf of the bidder.

☐ Name of the person/organisation on whose behalf the document was collected, the phone number, the fax number and contact person of the prospective bidder.
9.1 Bidders must be informed that if bidding documents are posted, it is not the responsibility of City of Matlosana
to ensure that the bidder receives the document on time in order to prepare a response.
9.2 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.
9.3 There must always be a unique reference number and title or description for each bid advertised, in order to
avoid any ambiguity that could result.
9.4 The closing date and time of each bid invitation should be chosen carefully or systematically.
9.5 There must be suitable and dedicated staff to handle all queries in respect of any bids.
9.6 All prospective bidders must be provided with the same bid information, with no bidder having competitive
advantage over another.
9.7 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.
9.8 There must be a formal line of communication to ensure consistency of communication.
9.9 All communication regarding the bid should preferably be in writing, filed and recorded.
9.10 City of Matlosana attempt ensure that the costs of obtaining bid documentation, the availability thereof and
bid requirements do not disadvantage potential bidders in any way.
9.11 If it is desirable to amend, change or replace samples, specifications, copies or conditions after the closing
date and time, and before notification of acceptance has been given, new bids must be invited.

10 ELEMENTS FOR INCLUSION IN BID DOCUMENTS

POLICY

- City of Matlosana’s bid documents must promote uniformity by at least standardising bid documents where
  possible.
- Bid documentation, including the general conditions of bid and contract, must at least be in accordance with
  the instructions of National Treasury.
- Bidders must receive the same information in the documentation and must be assured of an equal opportunity
to obtain additional information on a timely basis to ensure fairness.
- Where feasible, large requirements may be divided into smaller more manageable requirements to
  accommodate SMMEs.
- Where feasible, promote subcontracting and joint ventures with SMMEs.
- Bid documentation must include evaluation and adjudication criteria, including the criteria prescribed in the
  PPPFA and the BBBEE Act.
The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply.

**GENERAL REQUIREMENTS FOR THE COMPILATION OF WRITTEN QUOTATION / BID DOCUMENTATION**

**POLICY**

☐ All quotation/bid documentation must contain the general preconditions for consideration of written quotations or bids as set out below:

☐ City of Matlosana may not consider a written quotation or bid unless the provider who submitted the quotation or bid:

☐ Has furnished City of Matlosana with that provider’s:

☐ Full name

☐ Identification number or company or other registration number; the tax reference number and VAT registration number, if any.

☐ Has authorised City of Matlosana to obtain a tax clearance from the South African Revenue Services that the provider’s tax matters are in order.

☐ Has indicated:

☐ Whether he or she is in the service of the state, or was in the service of the state in the previous twelve months.

☐ 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.

☐ Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.

☐ City of Matlosana, in the compilation of documentation for its requirements, must not compromise on quality, price or service levels.

**10.2 COMPILATION OF BID DOCUMENTATION FOR COMPETITIVE BIDS**

**POLICY**

☐ Bid documentation must in addition to the abovementioned requirements for quotations/ bids:

☐ Take into account:

☐ The general conditions of contract.

☐ Any Treasury guidelines on bid documentation.

☐ The requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.

☐ Include evaluation and adjudication criteria, including any criteria required by other applicable legislation.

☐ Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.

☐ If the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish:
If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements:

- For the past three years.
- Since their establishment if established during the past three years.
- A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days.
- 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.
- 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 City of Matlosana is expected to be transferred out of the Republic.
- Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

**10.3 RESPONSIBILITY FOR COMPILING BID DOCUMENTS**

**POLICY**

- The SCM Unit is responsible for compiling the bid documents on receipt of a request by the user group accompanied by specification/terms of reference as compiled by the Bid Specification Committee and the approval received from the Accounting Officer or the delegate.

**10.4 USER GROUP REQUEST FOR QUOTATIONS/BIDS**

10.4.1 Regarding specifications/TOR for goods and/or services, the following must be provided by the user group (inclusive of the approved specification) to the officials of the SCM Unit when quotations/bids are to be invited:

10.4.1.1 Description of the requirement.
10.4.1.2 Approved specification or TOR.
10.4.1.3 A formal contract where it must be concluded in addition to the contract form.
    - Full reasons must be given.
10.4.1.4 Any special conditions applicable.
10.4.1.5 The required contract period must be precisely stated if applicable. For example, a contract period of 12 months or a contract commencing on the specific date and concluding on a specific date.
10.4.1.6 Particulars of an information session, where applicable.
Whether the information session is compulsory or not and the address and time where the session will take place as well as a contact person and telephone number in this regard.

10.4.1.7 Where the submission of alternative bids (alternative designs, materials, completion schedules, payment terms, etc.) is permitted, the conditions for their acceptability and the method of evaluation in such instances should be clearly stated.

10.4.1.8 Whether a demonstration would be required that will be facilitated by the SCM Unit.

10.4.1.9 Indicate the estimated financial impact and whether funds are available.

10.4.1.10 Indicate the latest possible date that the contract must be in place.

10.4.1.11 Contact particulars of a knowledgeable person (user group) that the SCM Unit may contact for technical assistance.

10.5 QUOTATION/BID DOCUMENTATION PACK

POLICY

- The quotation/bid documentation pack must consist of the following:
- Covering letter, which should at least include the bid number, description of the requirement, name of the organisation by which it is required and the closing date and time.
- Municipal bidding documents (MBD) that include, but are not limited to the following:
- Invitation to Bid, which is the bidders’ consent if signed to enter into a contract under the conditions specified in the bid documents, should the offer be accepted.
- Tax Clearance requirements.
- Relevant pricing schedule.
- Declaration of interest.
- Declaration for procurement above R10 m (VAT included).
- Relevant preference points claim form(s).
- Specification/TOR.
- General conditions of contract.
- Special contract conditions.
- Copy of the formal contract or service level agreement (SLA) where applicable.

10.5.1 Conditions

10.5.1.1 The General Conditions of Bid and Contract are applicable to all bids with the exception of bids pertaining to the building, engineering and construction industry for bids related to building, engineering and construction works, Accounting Officers should, in lieu of the GCC, use the General Conditions of Contract and Standard Bidding documents for construction projects issued by the CIDB.

10.5.1.2 Such conditions may be supplemented by special conditions, thus covering any aspect not covered by the general conditions if necessary. Should the special conditions be in conflict with the general conditions, the provisions of the special conditions will prevail? The one condition that must be covered by special conditions is payment terms.
10.6 MUNICIPAL BIDDING DOCUMENTATION
10.6.1 MBD may be customised to address the municipal name, logo and contract details. Other changes to the MBDs should be kept to a minimum, such as variations necessary to address specific contract and project issues. Where no relevant MBD is provided, City of Matlosana should use other internationally recognised documents, acceptable to the accounting Officer, in concurrence with the Provincial Treasury. The standard working for the application for Tax Clearance Certificates (MBD2) may not be amended.
10.6.2 In cases where special conditions make it necessary to deviate from the standardised bid documentation it is advisable that the Accounting Officer’s or the delegate’s approval is obtained for such deviations. The motivation for the deviations must be documented.
10.6.3 It would, however, be efficient to customise a set of the documentation specifically for City of Matlosana in order to reduce the time it takes to review the standard forms per requirement.
10.6.4 The formal contract document (MBD 7.1 – 7.3) should not form part of the bidding documents issued to every prospective bidder, but should rather be made applicable only to the successful bidder after adjudication and award of the bid.

10.7 ELEMENTS TO TAKE INTO ACCOUNT WHEN COMPILING A QUOTATION/ BID DOCUMENTATION PACK
10.7.1 Allocate a sequential bid number. A central point for numbering is needed in the SCM Unit.
10.7.2 Determine the closing date and time of the bid.
10.7.3 Determine the validity period applicable.
10.7.4 The price must be quoted in Rand.
10.7.5 Compliance with any statutory requirements deemed necessary.
10.7.6 Indicate evaluation process and criteria applicable.
10.7.7 Evaluation method, for example, the two-envelope system.
10.7.8 The format in which the bid must be submitted, such as the information on the envelope and sealing instructions.
10.7.9 The number of copies required. Do not ask for unnecessary copies or for an excessive number of copies.
10.7.10 The methods of quotation/bid delivery allowed such as fax, e-mail, and post and hand delivery to a bid box.

11 PRE-BID INFORMATION SESSIONS

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<tbody>
<tr>
<td>Minutes of the meeting must be provided to all prospective bidders. Any additional information, clarification, correction of errors, or modifications of bid documents must be sent to each recipient of the original bid</td>
</tr>
</tbody>
</table>
documents in sufficient time before the closing date and time for receipt of bids to enable bidders to take appropriate actions.

**11.1 PARTICULARS OF INFORMATION SESSIONS, WHERE APPLICABLE**

11.1.1 Whether information sessions are compulsory or not and if so, the address and time where the sessions will take place as well as a contact person and telephone number in this regard.

**11.2 PARTICULARS OF PRESENTATION MEETINGS, WHERE APPLICABLE**

11.2.1 The fact that presentation meetings are compulsory and the address and time where the meetings will take place as well as a contact person and telephone number in this regard. Where the time of the meeting cannot be determined it should be clear in the bidding documents that prospective bidders will be informed of the time at a later and appropriate date.

**12 CHANGING OF INFORMATION BEFORE CLOSING TIME**

**POLICY**

- It is preferable to cancel a bidding invitation and to invite fresh bids if conditions or the specification or any other information have to be materially changed before the closing time, or if mistakes are discovered in the documents before the closing time.

12.1 Where the information that must change, is not material or will not have a material influence on the bidders' proposals, all prospective bidders must be informed before the closing date of the bid and in time to take the information into consideration.

12.2 Where the information that must change is material or will have a material influence of the drafting of the bidders' proposals, the bid must rather be cancelled and fresh bids invited with the amended information.

**13 POSTPONEMENT OF CLOSING DATE**

**POLICY**

- Only the AO may allow the postponement of the closing date.
- The closing date may be postponed if all prospective bidders can be advised of the postponed date in writing before the original closing date.
- In the case of an advertised bid invitation, the closing date may be postponed if the postponed date can be advertised in the Government Tender Bulletin and other media where applicable, before the original closing date.

13.1 Should it be possible to postpone the closing date and inform bidders appropriately, the closing date may be postponed if there is a valid reason for the postponement?

13.2 If there is a valid reason for the postponement of the bid and there is not sufficient time to advertise the postponement, the cancellation of the bid must be considered and fresh bids invited.

**Section 17. Receiving and Opening of Responses**

**1 RECEIVING AND OPENING PROCEDURES FOR QUOTATIONS UP TO R200 000 (VAT INCLUDED)**

**POLICY**
A fair and transparent process must be followed for the closing, receiving, opening and processing of quotations.

No person may interfere or tamper with any bids, quotations, or contracts after their submission.

**1.1 WRITTEN OR VERBAL QUOTATIONS ABOVE R2 001 UP TO R30 000 (VAT INCLUDED)**

**POLICY**

- Providers must be requested to submit quotations in writing.
- The delegated official must obtain and receive the quotations.
- However, the award must be approved by a different delegated official at level 2 & 3.

1.1.1 The delegate, who requested the verbal quotation, must also receive the quotation. It is recommended that all the prospective providers are asked to confirm their quotation in writing at least by facsimile or email so that a proper record of the request exists.

1.1.2 Should all the prospective providers not be asked to confirm their quotations in writing, at least the successful provider must be asked to confirm the quotation in writing and the details received from all other prospective providers must be recorded by the delegate who requested the verbal quotations in order to establish the audit trail.

**1.2 FORMAL WRITTEN PRICE QUOTATIONS ABOVE R30 000 UP TO R200 000 (VAT INCLUDED)**

**POLICY**

- Quotations must be submitted in writing preferably by hand or per mail, but may also be faxed or e-mailed.
- Bid box procedures may be used where the circumstances so require.

1.2.1 Quotations received by post, courier or electronic means should be administratively dealt with and immediately be channelled to the physical address where quotations received.

1.2.2 The quotations must be date stamped and sorted according to their particular quotation numbers.

1.2.3 Where a quotation is received, without a quotation number on the envelope, it must be opened, the quotation number ascertained and written on the envelope.

1.2.4 All the pages of the quotations received should be initialled, checked for any amendments and if affirmative, two officials must co-initial at the place of the amendment. Any documents not signed or not submitted must be noted.

1.2.5 Information on quotations received must be captured in a “quotations received record” that may be a register/list/spreadsheet, that must contain at least the following information:

- 1.2.5.1 Quotation number.
- 1.2.5.2 Closing date.
- 1.2.5.3 Date and time received.
- 1.2.5.4 Name of the person/organisation that sent the quotation or from whom the quotation was received.
- 1.2.5.5 Details on how the quotation was received, i.e. through courier services, electronic delivery or received in the bid box.
1.2.5.6 Whether the quotation was received on time or late.
1.2.5.7 Whether the quotation was opened, and if so, the reasons for the opening by the receiving officials.
1.2.6 Name of the receiving official.
1.2.7 To ensure that this recording is properly executed, the record for quotations received must be checked on a quarterly basis in accordance with the Accounting Officer’s delegated powers.
1.2.8 Quotations must be stored/filed with those quotations already received of similar quotation numbers if received before the closing date of the quotation.

2 RECEIVING AND OPENING PROCEDURES FOR BIDS ABOVE R200 000 (VAT INCLUDED)

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>✅ A fair and transparent process must be followed for the closing, receiving, opening and processing of bids.</td>
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<tr>
<td>✅ Bidders must be allowed to submit bids by mail or by courier or by hand.</td>
</tr>
<tr>
<td>✅ A bid box must be visible on the premises of City of Matlosana and shall be accessible between 08:00 and 17:00 Mondays to Fridays excluding public holidays.</td>
</tr>
<tr>
<td>✅ A bid box must always be locked, unless bids are collected in order to prevent unauthorised removal of bids.</td>
</tr>
<tr>
<td>✅ At least two delegated officials must be present during opening of bids on the date and precise time of closing as specified.</td>
</tr>
<tr>
<td>✅ At the precise closing time of the bid, the bid box is locked to prevent late submission of bids into the box, hereafter all bids in the box are removed for processing.</td>
</tr>
<tr>
<td>✅ Bids may be opened only in public.</td>
</tr>
<tr>
<td>✅ Bids must be opened at the same time and immediately after the period for the submission of bids has expired.</td>
</tr>
<tr>
<td>✅ Any bidder or member of the public has the right to request that the names of the bidders who submitted bids before the closing date and time, must be read out and, if practical, also each bidder’s total bidding price.</td>
</tr>
<tr>
<td>✅ The Accounting Officer or delegate must:</td>
</tr>
<tr>
<td>✅ Record in a register all bids received before the closing date and time.</td>
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<tr>
<td>✅ Make the register available for public inspection.</td>
</tr>
<tr>
<td>✅ Publish the entries in the register and the bid results on the website of City of Matlosana.</td>
</tr>
<tr>
<td>✅ Bids must be date stamped to indicate the date and time of receipt of bids.</td>
</tr>
<tr>
<td>✅ A lockable facility for the storing of bids must be available.</td>
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</table>

2.1 Bids received by post, courier or similar service should be administratively dealt with and immediately be channelled to the physical address where bids must be received. Bids received after the closing time at the physical address indicated in the bid document, must be considered as late and be dealt with accordingly.

2.2 The bid box may be opened more frequently than the actual closing dates and times if there are good reasons, for example, when a bidder asks for the return of the bid before closing time and/or when the box is full, provided that it is done openly and there are at least two people present.
2.3 Upon the closing time of a bid, the bid box is closed at exactly 11:00 to the second or the chosen closing time and all the bids should be removed. Bids must be opened in the event where the bids received are scheduled to close on the day the box was opened or bids must be filed in the event where the bids received are scheduled to close on another day.

2.4 The bids must be date stamped on the envelope and sorted according to its particular bid numbers.

2.5 All bids received without envelopes, must be sealed in an envelope containing the bid number and closing date.

2.6 Where a bid is received without a bid number on the envelope, it must be opened, the bid number ascertained, written on the envelope, sealed and filed accordingly if required.

2.7 All bids must be opened in public.

2.8 If requested by any bidder or member of the public, the names of the bidders must be read aloud and if practical, also each bidder's total bidding price. If the bid consists of more than one item, the official may, at his/her discretion, decide on whether or not all of the items should be read out.

2.9 All the pages of the bids received must be stamped / initialled or marked with a punch hole, checked for any amendments and if affirmative, two officials must co-initial at the place of amendment. Any documents not signed or not submitted must be noted on the covering file of the bid document.

2.10 Information on bids received must be captured in a “Bids received record” that may be a register/list/spreadsheet, that must contain at least the following information:

2.10.1 Bid number.
2.10.2 Closing date.
2.10.3 Date and time received.
2.10.4 Name of the bidder.
2.10.5 Details on how the bid was received, i.e. through the post, courier services, or received in the bid box.
2.10.6 The condition of the bid upon receipt i.e. was it open or not.
2.10.7 Whether the bid was received on time or late.
2.10.8 Whether the bid was opened, and if so, the reasons for the opening by the receiving officials.
2.10.9 Signature of the person who delivered the bid if the bid was not deposited in the bid box.
2.10.10 Signature of the person who received the bid.
2.10.11 Amount of the bid.

2.11 To ensure that this recording is properly executed, the record for bids received must be checked on a quarterly basis in accordance with the Accounting Officer’s delegated powers.

2.12 Bids must be stored/filed with those bids already received of similar bid numbers if received before the closing date of the specific bid.

2.13 The bid box must be opened immediately after each bid has closed by at least two supply chain officials of City of Matlosana in the prescribed public place in the presence of at least one member of the Bid Evaluation Committee of City of Matlosana.
2.14 All opened bids must be date stamped and individually initialled in ink on each material page by the abovementioned officers. Any errors must also be initialed as above.

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

2.16 The bid register must be locked in a safe place for subsequent bid evaluations.

2.17 Other bids than those deposited in the bid box, must be registered in the bid register and marked “incorrectly delivered”, then filed unopened. These bids will be rejected and not be considered.

2.18 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 will be rejected and not be considered.

2.19 Make the register available for public inspection.

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

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2.21 ADMISSION OF QUOTATIONS FOR PROCUREMENT OF GOODS AND SERVICE LESS THAN R30000

**POLICY**

- Written quotations received by facsimile transmitter, telegram, telex, e-mail or similar media may be accepted as valid if received before the closing time and only if stipulated in the quotation document.

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2.22 ADMISSION OF BIDS

**POLICY**

- Bids received by facsimile transmitter, telegram, telex, e-mail or similar media do not meet the requirements and must be rejected.
- Only original bid documents or photocopies of facsimiles that are submitted in the prescribed manner and where the entire essential forms are originally signed in ink before submission may be accepted as valid.
- Bidders must be allowed to submit bids by mail, by courier or by hand into the bid box or at the physical address of City of Matlosana (reception, over the counter at the SCM Unit as applicable) before the closing time of the bids.
- All bids must then be kept unopened in safe custody until the closing date and time of the bids.

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2.23 CONFIDENTIALITY

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

### 2.24 BIDS RECEIVED LATE

**POLICY**

- Bids are late if they are received at the address indicated in the bid documents after the closing date and time.
- Bids received late may not be considered and must be returned unopened to the bidder.
- Where no bid or no acceptable bid was received, the bid must be re-advertised.
- Bids received late must be recorded as such.

### 2.25 LATE BIDS RECEIVED

Late bids received must, where feasible, be returned accompanied with the explanation that the bid was received late. Where the address of the bidder is not indicated on the envelope, it is opened to obtain the necessary particulars and returned to the bidder.

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**Section 18: Evaluation Process**

**POLICY**

- All bids duly lodged must be taken into consideration and evaluated.
- City of Matlosana must base evaluation solely on an examination of the relevant statutory and/or predetermined evaluation criteria.
- Evaluation criteria must promote the areas of finance (commerce), technical compliance/ability and preferential procurement.
- Members involved in the evaluation process must be honest, fair, impartial, and transparent.
- Bid Evaluation Committees should be familiar with and adhere to prescribed legislation, directives and procedures in respect of SCM.
- All evaluators/members of Bid Evaluation Committees should be cleared at the level of “CONFIDENTIAL” and should be required to declare their financial interest annually.
- No person may interfere with the SCM system of City of Matlosana; or amend or tamper with any quotation/bid after its receipt.

**1 MANDATORY REASONS FOR REJECTION**

**POLICY**
City of Matlosana must reject a proposal for the award of a contract if the recommended bidder has committed a proven corrupt or fraudulent act in competing for the particular contract.

City of Matlosana must disregard the bid of any bidder if that bidder, or any of its directors:
- Have abused the SCM system of City of Matlosana.
- Have committed proven fraud or any other improper conduct in relation to such system.
- Have failed to perform on any previous contract and the proof exists.
- Such actions must be communicated to the National Treasury.

Prohibition on awards to persons in the service of the state:
- The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person:
  - Who is in the service of the state?
  - If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state.
  - A person who is an advisor or consultant contracted with City of Matlosana.

2 COMPLIANCE CHECK PROCEDURES

2.1 Before actual evaluation the SCM Unit must do a compliance check that the quotation/bid documentation complies with the predetermined conditions and that all required forms and information are submitted, completed in full and legible.

2.2 The SCM Unit must ascertain whether quotations/bids received:
   2.2.1 Have been properly signed in ink in the original.
   2.2.2 Include an original, valid tax clearance certificate or proof that suitable arrangements have been made with SARS.
   2.2.3 Are substantially responsive to the quotation/bid documents.
   2.2.4 Are accompanied by the required securities, if applicable.
   2.2.5 Are otherwise generally in order.

2.3 The SCM Unit must ensure that the provider's name (including the name of the company, name of any director or partner) does not appear on the list for restricted bidders/persons or on the Register for Tender Defaulters in terms of the Prevention and Combating of Corrupt Activities Act.

2.4 If a quotation/bid is not substantially responsive that is, it contains material deviations from or reservations to the terms, conditions and specifications in the quotation/bid documents, it must not be considered further.

2.5 Must be able to identify bidders who are close family members of persons in the service of the state
2.6 Must be able to identify bidders who are
   2.6.1 In the service of the state.
   2.6.2 Not a natural person, but of which any director, manager, principal shareholder or stakeholder is a person in the service of the state.
2.6.3 A person who is an advisor or consultant contracted with City of Matlosana

3 SIGNING OF BIDS

**POLICY**

- In order to avoid confusion regarding precisely what must be signed for a valid bid, the “Invitation to Bid” or photocopy thereof, must be signed in ink.
- All declarations must also be signed to qualify as valid claims.

3.1 Bids not accompanied by an Invitation to Bid, or where the form is not signed, or not signed in ink, but otherwise complies with all the bid requirements and is recommended in terms of the delegated powers, may be considered and finalised by the Bid Adjudication Committee or the Accounting Officer or the delegate.

3.2 If such an unsigned bid is declared to be valid, the bidder must sign it in ink, before the parties sign the contract form.

3.3 Copies or facsimiles of bids, that have been submitted in the prescribed manner and where the Invitation to Bid or equivalent has been signed in ink before submission, are accepted as official bids. No other document received in confirmation thereof is thereafter accepted as the official bid even if it is the original of the facsimile copy and is also signed in ink.

3.4 AUTHORIZATION TO SIGN BID DOCUMENTS

3.4.1 The Invitation to Bid only makes provision for the capacity of the signatory to be indicated and does not make provision for the bidder to indicate whether he is duly authorised to sign the bid documentation. A duly authorised person must sign the bid document. Therefore the requirement must be stated as a special condition.

4 TAX CLEARANCE CERTIFICATES

**POLICY**

- City of Matlosana must reject any bid from a supplier who did not attach an original tax clearance certificate.
- The city of Matlosana shall request a tax clearance certificate once per year unless otherwise indicated

4.1 Where a “Request for Information” (RFI) was advertised, it is not necessary for tax clearance certificates to be presented. However, should it not be included in the RFI, it must be included as a bid condition in the documents distributed to the bidders that qualified and thus taken into consideration at that stage.

4.2 All databases reflecting contracting activities must be made accessible to officials of the SARS.

5 SUBMISSION AND SIGNING OF DECLARATIONS OR CERTIFICATES

**POLICY**

- In all cases where the relevant preference claim form must be submitted and a provider had the intention to claim as evidenced by the fact that the preference form was filled in or gave other indications of wishing to claim preference, the bidder must be allowed to complete and/or sign the declaration.
5.1 If the potential provider is a supplier but not the actual manufacturer and will be sourcing the product(s) from another company, a letter from that company(s)/supplier(s) confirming firm supply arrangement(s) in this regard, has to accompany the quotation/bid and failure to submit the document may invalidate the quotation/bid. The aforementioned statement must be included in the relevant quotation/bid documents.

5.2 The said company/supplier must confirm that it has familiarised itself with the item description, specifications and conditions and if the quotation/bid consist of more than one item, it should be clearly indicated in respect of which item(s) the supportive letter has been issued.

6 DECLARATION OF INTEREST

POLICY

- A form for the declaration of a provider’s position and interest vis-à-vis the evaluating structure, must be included with the quotation/bid documents.
- An official who is involved in the evaluation and recommendation process, or who is in any way involved with the procurement process, must also certify as part of the recommendation that he/she complies with The Prevention and Combating of Corrupt Activities Act.
- All officials who can influence the award of a quotation/bid are seen as officials who are involved in the recommendation process.
- The register of attendance or disclaimer for the members of the Bid Evaluation Committee and the Bid Adjudication Committee must contain the following:
  - "I declare that I did not purposefully unlawfully favour or prejudice anyone in the decision making process in the recommendation and award of the quotation/bid."
- All officials who are involved in the decision making process must sign a similar affidavit.

7 PROVIDER’S OWN CONDITIONS

POLICY

- The conditions as contained in the quotation/bid documents enjoy precedence. All providers must accept these conditions. However, it sometimes happens that providers set their own conditions that might be in conflict with the quotation/bid conditions. Such own conditions set by providers may be recommended for acceptance where it is in the interest of the City of Matlosana to do so and where the interests of other providers are not prejudiced.
- Where the providers’ own conditions are not in the best interest of the City of Matlosana, the provider must be requested to withdraw the conditions.
- If providers are not prepared to withdraw unacceptable or conflicting conditions, reasons why such conditions must be accepted must be submitted to the relevant award structure for approval or alternatively the quotation/bid may be passed over.
7.1 A provider must not automatically be requested to withdraw own conditions since such conditions are not necessarily unacceptable. A recommendation by the relevant evaluation authority that such a request should be made to the provider concerned must be submitted to the relevant award structure for the necessary consideration or for passing over due to being unacceptable.

8 EVALUATION LESS THAN R30 000

**POLICY**
- For quotations less than R30 000, where the requirement is not technically complex and where there are no major risks involved, formalised Bid Evaluation Committees are not compulsory and the relevant delegated authority may perform the evaluation and submit the recommendation to the relevant award structure.
- The evaluation must still be based on an examination of the relevant statutory and/or predetermined evaluation criteria.
- City of Matlosana may not make any award above R30 000 to a person whose tax matters have not been declared by SARS to be in order.

8.1 Less than R30 000, an evaluation is performed by the user group and the SCM Unit taking the following principles into account:
- 8.1.1 Compliance with conditions/specification/TOR.
- 8.1.2 Price.
- 8.1.3 Preferential procurement only where it was made a condition of evaluation on a voluntary basis.

8.2 Before making an award to a person, City of Matlosana must first check with SARS whether that person's tax matters are in order should it not be confirmed in writing to be in order.

8.3 If SARS does not respond within seven days, such person's tax matters may be presumed to be in order.

9 EVALUATION FROM R30 000 AND UP TO R200 000

**POLICY**
- For quotations from R30 000 and up to R200 000, where the requirement is not technically complex and where there are no major risks involved, formalised Bid Evaluation Committees are not compulsory and the delegated authority must evaluate quotations received and submit a recommendation regarding the award of the quotations to the relevant award structure.
- The evaluation and award structures should be composed of different members to ensure that a transparent review of the evaluation is undertaken.
- Quotations must be evaluated against the predetermined criteria in the quotation document. The criteria to be taken into account, are inter alia:
  - Compliance with the specification/TOR and conditions of the quote.
  - Preferential procurement:
  - Price
| Functionality |
| Goals (equity as well as socio economic) |
| Capability / ability of the bidder to execute the contract |

### 9.1 EVALUATION STEPS

9.1.1 From R30 000 the delegated authority must check whether the information received from the SCM Unit is correct and ascertain him/herself of all the information and facts contained in each bidding document, which includes the preference points score sheet.

9.1.2 The delegated authority must now evaluate the strengths, weaknesses and peculiarities of each offer from the highest to the lowest point scorer.

9.1.3 All comments on each quotation as well as the recommendation must be recorded in a recommendation report that must be signed off by the delegated authority.

9.1.4 In the case of professional services, offers are evaluated on price and functionality, as well as achievement of specified goals where applicable. The combined percentages for functionality and price must equal 100%.

9.1.5 Where the evaluation authority consists of more than one evaluator as may be determined in the Accounting Officer’s delegated powers, please note that evaluations are not based on consensus decisions. Each evaluator scores each quotation individually according to the predetermined criteria and weightings as reflected in the original quotation documents. Calculated average points for service providers are used for evaluation purposes.

9.1.6 The final recommendation report must be submitted to the relevant award structure for consideration.

9.1.7 Providers may not be allowed to amend their offers in any material manner, but may be requested to clarify any ambiguities and/or information that are unclear or illegible.

### 10 BID EVALUATION COMMITTEE FOR PROCUREMENT ABOVE R200 000

**POLICY**

- Above R200 000, a Bid Evaluation Committee must evaluate bids received and submit a recommendation regarding the award of the bids to the Bid Adjudication Committee.
- Bids must be evaluated against the predetermined criteria in the bid document. The criteria to be taken into account, are inter alia:
  - Compliance with the specification/TOR and conditions of the bid.
  - Preferential procurement:
    - Price
    - Functionality
  - Goals (equity as well as socio economic)
  - Capability/ability of the bidder to execute the contract.
Check in respect of the recommended bidder whether its municipal rates and taxes and municipal service charges are not in arrears.

Declaration for procurement above R10m (VAT included).

10.1 Above R200 000, a Bid Evaluation Committee must be constituted before the closing date of the bid.

10.2 The Committee must over and above the SCM expertise and the representative of the user group, also represent the following skills:

10.2.1 Procurement expertise from the SCM Unit.

10.2.2 Sufficient financial expertise.

10.2.3 Sufficient technical expertise.

10.2.4 Additional technical expertise as required may be co-opted.

10.3 EVALUATION STEPS

10.3.1 Each evaluator should check whether the information received from the SCM Unit is correct and familiarize him/her of all the information and facts contained in each bidding document, including the preference points score sheet.

10.3.2 Bid Evaluation Committee members must then discuss the strengths, weaknesses and peculiarities of each offer. Commence the discussions from the highest to the lowest point scorer.

10.3.3 All discussions of each bid as well as the recommendation must be recorded in a recommendation report by the SCM Unit that must be signed off by all members of the Bid Evaluation Committee.

10.3.4 In the case of professional services, offers are evaluated on price and functionality, as well as achievement of specified goals where applicable. The combined percentages for functionality and price equal 100%. Evaluations are not based on consensus decisions. Each evaluator scores each bid individually according to the predetermined criteria and weightings as reflected in the original bid documents. Calculated average points for service providers are used for evaluation purposes.

10.3.5 The final recommendation report must be submitted through the SCM Unit to the Bid Adjudication Committee for consideration.

10.3.6 Bidders may not be allowed to amend their offers in any material manner, but may be requested to clarify any ambiguities and/or information that are unclear or illegible.

11 FORMAT OF THE RECOMMENDATION REPORT

11.1 The SCM Unit is responsible for the compilation of the recommendation report and therefore the SCM Unit must provide the professional secretariat function for each evaluation.

11.2 Recommendation/submissions to the Bid Adjudication Committee or other award structures must be clear regarding the content and purpose of the matter for which consideration and approval is desired. The practice of submitting memoranda, reports, contracts, agreements, invoices and the like and requesting general approval is not acceptable. However, such documents may be forwarded as annexure supporting the request. Facts must be
set out fully and clearly in the submission and reference must be made only to those portions of the attached documents that are directly related to the approval being requested.

11.3 Uniformity in respect of details where submissions deal with the recommendation of bids is essential. The following minimum information is required:

11.3.1 Name of the bidder
11.3.1.1 Price and whether the price is firm or not
11.3.1.2 Basis of delivery
11.3.1.3 Delivery period
11.3.1.4 Trade mark
11.3.1.5 Country of origin
11.3.1.6 Preference claimed
11.3.1.7 Comparative price
11.3.1.8 In the case of single source bids, the previous purchase price must also be indicated where possible or other mechanism to determine reasonableness.
11.3.1.9 There must be uniformity in the sequence of categories in which bids are recommended if one bid contains more than one item for consideration, namely:
   ● Only bid, price reasonable and in accordance with the specification.
   ● Highest scorer and in accordance with the specification.
   ● All higher scoring bids must be listed and the reasons for passing over must be furnished where bids are awarded on a point basis, any bids which scored a higher point, but are not recommended, must be listed and reasons for passing over must be furnished.
   ● Highest scorer and acceptable although not strictly to specification.
   ● Highest acceptable scorer although not strictly to specification.
11.3.1.10 A discussion, explaining the recommendation, must always be provided where the recommendation is not self-explanatory in the light of the data already provided.

12 INFORMATION THAT MUST BE SUPPLIED WITH RECOMMENDATIONS FOR THE AWARD OF BIDS

12.1 The Bid Evaluation Committee must ensure that they are in possession of all relevant information so that accountable decisions can be taken. Since each case is unique, it is not possible to specify all the information that must be supplied. However, the following points must be addressed when it arise:

12.1.1 Qualification of bidder’s own conditions
12.1.1.1 When bidders do not withdraw conditions, that are unacceptable or conflicting, reasons must be provided for those conditions to be considered. When such conditions have financial implications or their withdrawal implies a second chance to bid, the facts must be pointed out to the Bid Adjudication Committee.
12.1.2 Small acceptable deviations
12.1.2.1 The Bid Evaluation Committee must be convinced that other bidders’ competitiveness is not adversely affected by the acceptance of a bid that is not strictly to specification.

12.1.3 Increase of prices before validity lapses
12.1.3.1 Such cases must be pointed out to the Bid Adjudication Committee so that it may decide what action to take against the bidder concerned.

12.1.4 Increase of prices after validity lapses
12.1.4.1 This may be construed as an avoidable expenditure and must be reported to the Accounting Officer. Therefore the Bid Adjudication Committee must be informed of the circumstances and the person/concern responsible for the delay.

12.1.5 Reduction of prices before validity lapses
12.1.5.1 A reduction of prices and the effect thereof on the award of bids must be brought to the attention of the Bid Adjudication Committee. If the reduction in the price affects the recommendation, the reduction may not be considered. If it does not change the recommendation, it may be considered for implementation before the award.

12.1.6 Passing over higher scoring bids
12.1.6.1 Reasons for passing over higher scoring bids must be accountable and justifiable. For instance, it is not enough to indicate that the offer deviates from specification. It must be indicated what was specified, a description of the deviation must be given and the effect of the deviation on the use/operation of the item must also be pointed out. Where there are deviations in respect of several different properties, only the determinative deviations should be dealt with.

12.1.7 Reasonableness of prices
12.1.7.1 Where the reasonableness of prices cannot be substantiated or where the weighting of non-firm prices has an effect on the priority order of recommendations, all relevant information must be gathered and made available to the Bid Adjudication Committee.

12.1.8 Bids with a large number of items
12.1.8.1 Bids with a large number of items must not be delayed because of problems with a few individual items. The Bid Evaluation Committee must evaluate such items at a later date.

12.1.9 Sharing of contracts
12.1.9.1 If a contract must be shared, full reasons for sharing must be supplied and the basis of the split must be provided as well as the conditions that will apply.

12.1.10 Evaluation of samples
12.1.10.1 When an item is rejected because samples have been evaluated and do not measure up to the required standards, it must be pertinently stated in the recommendation that the product has been tested, the organisation that tested it and the details of the deviations and their effect on the use/operation of the product must be indicated.

12.1.11 Number of bid documents issued to prospective bidders
12.1.11.1 In order for the Bid Adjudication Committee to determine the competitiveness of the bidding process, City of Matlosana must keep record of the number of bid documents issued to prospective bidders as well as the number of bids received as a result of the invitation. This information must be pointed out in recommendations to the Bid Adjudication Committee or other award structures.

13 CONSIDERATION OF ADDITIONAL INFORMATION

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<tr>
<td>Information received after the closing date, may only be taken into consideration if it would not influence the original recommendation made, which must be based on the original information received from providers.</td>
</tr>
<tr>
<td>During the consideration of quotations/bids, communication by Municipality with providers may only take place with the express prior approval of the relevant award structure.</td>
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13.1 Should a discount for instance be offered, it could be taken into account when the contract has been awarded, but not beforehand.

13.2 City of Matlosana must communicate with providers where bid information is incomplete or the quotation/bid document is not completed in full, in order to obtain the necessary information.

13.3 During the period of time between the closing time of a bid and the date of notice of acceptance to the successful bidder, communication regarding matters in connection with the quotation/bid, between any official or a representative of a properly appointed testing organisation or a person acting in an advisory capacity for City of Matlosana and a member of the public, may only take place with the express prior approval of the relevant award structure.

14 CANCELLATION OF QUOTATIONS/BIDS

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<tbody>
<tr>
<td>Should it be determined through the evaluation process that no acceptable quotations/bids were received; a recommendation to cancel the quotation/bid must be submitted for approval as part of the evaluation report.</td>
</tr>
<tr>
<td>The reasons why no acceptable quotations/bids were received by the closing date and time must be investigated before a decision is made what alternative process must be followed to satisfy the requirements.</td>
</tr>
<tr>
<td>The requirement may now be re-advertised / re-invited or a specific number of pre-identified service providers may be targeted.</td>
</tr>
<tr>
<td>The evaluation report must contain the request for cancellation accompanied by the perceived reasons determined through the investigation as well as a recommendation on the alternative process to be followed to satisfy the requirements.</td>
</tr>
<tr>
<td>The relevant award structure must approve all cases where quotations/bids:</td>
</tr>
<tr>
<td>Must be cancelled.</td>
</tr>
<tr>
<td>New quotations/bids must be solicited because of the cancellation.</td>
</tr>
</tbody>
</table>
Negotiations with the preferred bidder must take place to determine a reduction in the scope and/or a reallocation of risk and responsibility. A substantial reduction in the scope or modification to the bidding documents may require re-bidding.

Where quotations/bids must be cancelled all bidders must be informed in writing of the cancellation or the cancellation must be advertised in the same media as originally advertised.

14.1 Where the majority of quotations/bids do not comply with the specification requirements, or where a weak reaction to the invitation can be ascribed to an unnecessarily restrictive specification, cancellation of the invitation should be considered. The specification should then be reviewed and suitably amended so that fresh, more competitive quotations/bids may be invited.
14.2 Based on the reasons for the receipt of unacceptable quotations/bids, a recommendation must then be made on which process will now render a different result if quotations/bids are again sourced.
14.3 The possible reasons for receiving unacceptable quotations/bids may be the following:
14.3.1 Wrong choice of media for advertisement to reach the target audience in the case of advertised bids.
14.3.2 Wrong group of potential providers targeted in the case of non-advertised bids.
14.3.3 Terms of reference were not clear and specific.
14.3.4 Quotations/bids submitted did not address the terms of reference as the latter was not understood or the providers were clearly inexperienced.
14.3.5 The period allowed for the submission of quotations/bids was not sufficient for organisations to submit a sufficient quotation/bid or to submit quotations/bids at all.
14.4 A recommendation may then be considered to either re-advertise/re-invite the quotation/bid or to target a specific number of pre-identified service providers.
14.5 Quotation/bidding documents should provide for the cancellation of all quotations/bids if and when necessary.
14.6 Quotations/bids may be cancelled in the following circumstances:
14.6.1 No responsive quotation/bid has been received.
14.6.2 The prices received are exorbitant.
14.6.3 The requirement is no longer needed.

15 NEGOTIATIONS

POLICY

- 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:
- Does not allow any preferred bidder a second or unfair opportunity.
- Is not to the detriment of any other bidder.
- Does not lead to a higher price than the bid as submitted.
- Minutes of such negotiations must be kept for record purposes.
15.1 Without the prior approval of the relevant award structure, no negotiations may be conducted with providers regarding any aspect that might in any way affect the prices i.e. that may change the order in which quotes/bids will be ranked.

15.2 Where such negotiations are authorised, the relevant award structure must ensure that the negotiations take place at least at the middle management level and that the agreement, reached, is placed on record in writing.

**16 CONFIRMATION OF PRICES**

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ A legal contract cannot be concluded by the acceptance of an offer where it is obvious to any reasonable person that a price is out of line with other market prices and/or previous quoted prices. Confirmation of whether the price is correct or not, must be obtained from the provider in such cases.</td>
</tr>
<tr>
<td>☐ Only confirmation of the correctness of the price is involved and not negotiation for a better price.</td>
</tr>
</tbody>
</table>

**17 VERIFYING PREFERENCES**

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>☐ Verification is required whenever it is clear that the claimed preference is incorrect or when reasonable doubt exists that the bidder is entitled to the preference in any way at all.</td>
</tr>
</tbody>
</table>

17.1 However, where, as a result of a query, there is a change in the percentage preference claimed which affects the ranking of quotations/bids for award, a motivated recommendation must be submitted to the relevant evaluation authority and award structure for consideration.

**18 AMENDMENT OF PRICES PRIOR TO LAPSE OF VALIDITY**

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ An amendment of a quoted price during the original validity period is not allowed.</td>
</tr>
</tbody>
</table>

**19 EXTENSION OF VALIDITY PERIOD**

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Extension of validity must be finalised while the quotations/bids are still valid.</td>
</tr>
<tr>
<td>☐ If a bidder should reduce the quoted price as a result hereof, the reduction may be considered only if the provider would have been the successful contractor irrespective of the reduction. In other words the case is evaluated at the original quoted price and if successful, it is accepted at the reduced price.</td>
</tr>
<tr>
<td>☐ In cases where the quoted price is increased when the validity period expires and the quotation/bid concerned is either no longer recommended for acceptance or is recommended for acceptance at the higher price, the disadvantageous or incremental costs must be reported to the Council.</td>
</tr>
</tbody>
</table>
19.1 When validity lapses, the contractual obligation, which the provider accepted on signing the invitation to bid, falls away.

19.2 Changed circumstances, for which no provision is made in the bid, can occur and bidder's conditions, of which price may be one, can be affected. Bidders may, therefore, wish to make changes when extending their validity periods.

However, great care must be taken when considering these amendments so that justice and fairness to the other bidders are not sacrificed. When validity period extensions are requested, bidders must be asked to indicate the nature of and reasons for any such amendments.

19.3 The extension of the validity periods of quotations/bids is discouraged because it can result in amendments to quotations/bids to the disadvantage of Municipality, which result has to be explained to Treasury. It is therefore recommended that the correct validity period originally be chosen.

**20 NEW AND UNPROVEN PRODUCTS**

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>A bid may not be rejected simply because the bidder or the product offered is unknown.</td>
</tr>
</tbody>
</table>

**20.1** If a brand that qualifies for acceptance is new and unknown to Municipality or unproven after consultation with users, if applicable, consideration must be given to recommending to the Bid Adjudication Committee that initially only minimum requirements from the bidder concerned should be bought so that it may be tested and evaluated thoroughly in practice, if feasible.

In such cases the fact that it is a new, unknown or unproven brand must be clearly indicated in the recommendation to the Bid Adjudication Committee. Feedback regarding test results must be given to the suppliers. Should the requirement be for only one item, a new/unknown product should usually only be accepted if the user is satisfied that product is acceptable.

**20.2** A distinction should be drawn between new and unknown products and products that must be manufactured specially. Where bids for specially manufactured products are recommended and accepted, steps must be taken to ensure that the products are subjected to the necessary inspection and testing.

**21 COUNTRY OF ORIGIN**

<table>
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<tbody>
<tr>
<td>There is currently no embargo on the purchase of products from any foreign market.</td>
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</table>

**21.1** However, the quality of products, that are imported, particularly of unknown or new products, is not always known. Therefore the country of origin, trademark and model must always be stated in submissions to the Bid Adjudication Committee. Where a new or unknown product is recommended, action must be taken in accordance with the discussion above.

**22 DEVIATIONS FROM SPECIFICATIONS**

<table>
<thead>
<tr>
<th>POLICY</th>
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</table>
Quotations/bids with acceptable deviations from specification may be recommended for acceptance, provided that the competitiveness of another provider is not adversely affected.

### 23 ALTERNATIVE OFFERS

**POLICY**

Regardless of whether the provider also submits offers conforming strictly to specification, alternative offers may be considered and accepted provided that the other providers are not prejudiced. If the alternative offer does not meet the specification requirements, in that it is lower than the specified requirements and the deviations are acceptable, the other providers must be approached in cases where they might possibly be prejudiced, with a view to obtaining offers for the delivery of a product or service with the same or similar acceptable deviations. Such cases must be submitted to the relevant Bid Evaluation Committee for consideration and the relevant award structure for approval.

### 24 IMPROVEMENT ON SPECIFICATION

**POLICY**

A quotation/bid received which offers an improvement on the specification may be accepted provided that the other providers are not prejudiced.

24.1 A quotation/bid that is the highest scorer and that represents an improvement on the requirements of the specification may be recommended for acceptance. A quotation/bid that is not the highest scorer and that represents an improvement on the requirements of the specification may be recommended for acceptance by the relevant evaluation authority provided that all competitive providers are approached beforehand but are not able to offer such an improved product at a lower price.

24.2 Each case is considered on its merits but it can be accepted as a general guideline that such an improvement must exceed the specified minimum requirements. The reason why the improvement is deemed to be an absolute necessity must be motivated and the additional costs must be justifiable. If the improvement can be regarded as a unique property of the particular product, the case is regarded as a significant amendment of the specification and an explanation must be provided why these unique properties are essential and the reasonableness of the price will have to be substantiated. It must also be motivated why it would not be better to cancel and re-invite the bid.

### 25 EQUAL OFFERS

**POLICY**

- When offers are equal in all respects on a comparative basis, thus scoring equal total points, the successful provider must be the one scoring the highest number of preference points for HDI/SMME/specified goals as stated in part 3, 12 (8) of the PPPFA Regulations.
- Should two or more offers still be equal in all respects, the award must be decided by the drawing of lots in accordance with the delegated powers.
Where bid prices for a portion of a series of sub-items are equal and it is necessary for these items to be obtained from the same bidder, then the lowest overall bid may be recommended for acceptance.

26 ADDITIONAL QUANTITIES

|| 26 ADDITIONAL QUANTITIES
---|---
|| **POLICY**
|| - Before an award is made, additional quantities may be accepted up to the maximum percentage provided for in the delegated powers.
|| - All providers concerned must be approached for offers for the larger quantities.
|| - Where the additional quantities are more than the percentage provided for in the delegated powers, a fresh or a supplementary bid must be invited.

26.1 If, after closing of a quotation/bid but before an award has been made, a need arises for additional quantities up to the maximum percentage provided for in the Accounting Officer’s delegated powers, the recommended provider may, with prior approval of the relevant delegated authority be approached to determine whether he/she is prepared to deliver the additional quantities at a reduced price, or if not, at the quoted price provided that the delegated powers are not exceeded. However, the prices of marginally higher quotations /bids must also be taken into account and the provider concerned must also be approached for offers for the larger quantities.

27 SAMPLES

- Notwithstanding the requirement that samples must be submitted not later than the date and time specified in the bidding documents, samples may be received up to the time that it is required for evaluation. The recommendation of a bid must, however, not be delayed because a sample, received late, still has to be evaluated.

27.1 Therefore, if samples have not been received by evaluation time, the bid must be evaluated as if no sample was submitted. The Bid Adjudication Committee must then be informed that the product has been rejected because no sample was received.

27.2 A bidder who has neglected to submit a sample must not be asked for it unless the other bids are not acceptable on the grounds of quality or price, or the bidder concerned has offered a product manufactured in South Africa in competition with imported products. However, if other, acceptable South African manufactured products are offered by bidders who have submitted samples, the bidder who did not submit samples must not be asked to submit samples unless the Bid Adjudication Committee directs otherwise. The relevant circumstances must be pointed out to the Bid Adjudication Committee.

27.3 The above-mentioned stipulations in regard to samples are mutatis mutandis applicable to pamphlets, illustrations, certificates, etc. in cases where it is a bid condition that must be submitted together with the bids.

27.4 If the testing of samples is delayed by the SABS or other relevant testing organisation, a bidder should be allowed to submit a letter issued by the testing organisation to that effect so as not to declare the bid invalid due to the non-submission of samples.
27.5 Should the bid conditions call for an SABS certificate to be submitted, such certificates may be accepted until such a time that the recommendation has to be formulated. The evaluation and award process must not be delayed for this purpose.

27.6 NOTE: Should it be a requirement that samples must be submitted, no bidder must be requested to submit samples after the closing of the bid, unless all of the higher bids are not acceptable on the grounds of non-compliance of the specification or price.

28 COMPARISON OF QUOTED PRICES

POLICY

- The quoted prices of all items must be brought to a comparative basis, where applicable, by deducting preferences and other benefits, and adding implied contract price adjustments in the case of non-firm prices and delivery and other costs where applicable.

- Where purchases are accompanied by a maintenance contract and the future costs of the maintenance are known, the discounted present value of all the future costs must be added to the purchase cost in order to calculate a comparative price. Where these costs are not known, a typical scenario must be set in the quotation/bid document and priced by each provider in order to obtain comparative prices.

- The quoted prices of providers who are not registered in terms of the VAT Act, must for purposes of comparison be accepted as being inclusive of VAT. Municipality must do price comparisons on these quoted prices and any transaction as a result of acceptance of such quoted prices will under no circumstances be subject to the levying of an additional tax.

29 COMPARATIVE PRICES: BIDS FOR CONTRACTS WITH A DURATION OF MORE THAN THREE YEARS

POLICY

- Where bids for contracts with duration of more than three years are received, comparative prices, where necessary, must be calculated on the basis of the discounted net present values of the various offers.
- A specific escalation rate determined by the market factors should form part of the bid. This rate will then be used to calculate the tariffs for each of the future years.

29.1 Examples of cases where this directive pertaining to discounted net present values must be applied, are the following:

29.1.1 Rental contracts for office accommodation.

29.1.2 Rental contracts for computer and other electronic equipment.
29.1.3 Maintenance contracts for elevators and other electrical and mechanical equipment with a long useful life.

30 CONFIDENTIALITY

POLICY

- After public opening of bids, information relating to the evaluation process may not be disclosed to interested parties or other persons not officially concerned with the process, until the successful bidder is notified of the award.

31 SUBCONTRACTING AND JOINT VENTURES

POLICY

- It is incumbent upon Municipality to take care that:
  - Subcontractors and partners in joint ventures are engaged in fair and reasonable conditions of contract.
  - Contractors who contravene the contract conditions may be designated as restricted persons.
  - Secured payment options may only be considered where it can be justified.

32 CLEARANCE OF PROVIDERS PRIOR TO THE AWARD OF A CONTRACT RESTRICTED PERSONS

POLICY

- City of Matlosana must check the National Treasury database prior to awarding any contract to ensure that no recommended bidder, nor any of its directors, is listed as companies, directors or persons prohibited from doing business with the public sector.
- This list of restricted persons is managed and maintained by the SCM Office within the National Treasury.
- It is recommended that the National Treasury be contacted to determine if an organisation is restricted prior to award until the restricted list is available on the website.

33 DEALING WITH UNSOLICITED BIDS

POLICY

- City of Matlosana is in terms of Section 113 of the MFMA not obliged to consider unsolicited bids received outside a normal bidding process. However if Municipality decides to consider unsolicited bids, it may do so, only if:
  - The product or service offered in terms of the bids is proven a unique innovative concept that will be exceptionally beneficial to or have exceptional cost advantages for City of Matlosana.
  - The product or service is not in the budget and or in the integrated Development Plan
  - The person who made the bid is the sole provider of the product or service.
  - Procuring goods and services from sole supplier occur when
✓ Only one supplier manufactures or renders goods and services due to unique nature of the requirements
✓ Sole supplier has patent rights. Patent rights certificate has to be submitted from CIPRO
✓ Goods and services already in the City of Matlosana’s value chain/ employ are only supplied by an Original Equipment Manufacturer (OEM) or by a licensed agent thereof.
✓ There is a requirement for compatibility, continuity and alignment
✓ Authorised agents must produce letter from OEM before hand
✓ For transparency and fairness all requirements categorized to be sourced from sole suppliers should be advertised for 14 calendar days
✓ The reasons for not going through the normal biddings processes are found to be sound by the accounting officer.
✓ If the accounting officer decides to consider an unsolicited bid, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with:
  ✓ Reasons as to why the bid should not be open to other competitors.
  ✓ An explanation of the potential benefits if the unsolicited bid was accepted.
  ✓ An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
✓ Prior to advertising, the unsolicited bidder will be informed of the City of Matlosana intentions to invite public bids.
✓ The request for proposals will be generic and must protect the intellectual property and innovation of the unsolicited bidder.
✓ All written comments received, including any responses from the unsolicited bidder, must be submitted to the National Treasury and the provincial treasury for comment.
✓ 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.
✓ A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
✓ 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.
✓ 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.
✓ Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the Municipality entity to the bid may be entered into or signed within 30 days of the submission.
Section 19. Award

1 AWARD STRUCTURES

POLICY
- The Bid Evaluation Committee and the Bid Adjudication Committee or equivalent structures for a specific requirement must be composed of different members to ensure that a transparent review of the evaluation is undertaken.

2 AWARD STRUCTURE UP TO R200 000

POLICY
- The official delegated for the adjudication and award function, must finalise the award.
- All quotations up to R200 000 not specifically delegated, must be finally adjudicated and awarded by the Bid Adjudication Committee or the Accounting Officer or as delegated.

2.1 Up to R200 000, the delegated officials must carry out the adjudication and award of quotations unless the recommendation is referred back for justifiable reasons or unless there are circumstances in which the report with recommendations and comments should be forwarded to the Bid Adjudication Committee or the Accounting Officer for final adjudication and award.

3 POWERS OF THE AWARD STRUCTURE UP TO R200 000

POLICY
- The official acting as the Award Structure assesses if the specific procurement process followed, is in line with the approved policy and procedures, that the evaluation is fair and sound, the deal is acceptable and in City of Matlosana’s best interest, and then approves/ rejects the recommendation.
- The function must be carried out in line with the award functions stipulated under the roles and responsibilities section.
- Any decision regarding the adjudication and award of a contract is final.

3.1 The SCM Unit’s representative must present the recommendation report of the relevant evaluation structure to the award structure for consideration.
3.2 The SCM Unit will facilitate any queries from the award structure.
3.3 The queries and answers as well as the decision of the award structure must be recorded in writing and signed by the award structure.
3.4 Once approval has been granted, the SCM Unit may commence preparing the contract or other contractual documentation for the contractual commitment.

4 AWARD STRUCTURE ABOVE R200 000

POLICY
The Bid Adjudication Committee is the Award Structure who will finally award bids above the monetary value of R200 000 and up to its delegated authority.

Above the delegated authority of the Bid Adjudication Committee, the Bid Committee endorses the recommendation and the Accounting Officer will finally award the bids as award structure.

4.1 Above R200 000, the Bid Adjudication Committee must carry out the adjudication and award of bids unless the recommendation is referred back for justifiable reasons or unless there are circumstances in which the report with recommendations and comments should be forwarded to the Accounting Officer for final adjudication and award.

5 POWERS OF THE AWARD STRUCTURE ABOVE R200 000

POLICY

The function must be carried out in line with the award functions stipulated under the roles and responsibilities section.

The Bid Adjudication Committee assesses if the specific procurement process followed, is in line with the approved policy and procedures, that the evaluation is fair and sound, the deal is acceptable and in City of Matlosana’s best interest, and then approves/rejects the recommendation or make a final recommendation to the Accounting Officer for final award where the Bid Adjudication Committee is not delegated to finally award. The Bid Adjudication Committee may make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

Where the Bid Adjudication Committee finds that the recommendation is not correct or not in the Municipality’s best interest, the reasons for not supporting the review are submitted to the Accounting Officer for finalisation of the adjudication and award.

Members of the Bid Evaluation Committee may present their reports to the Bid adjudication Committee and clarify any uncertainties.

The Bid Adjudication Committee and the Accounting Officer has the power to amend or cancel concluded agreements if delivered goods and services do not conform to specifications.

Any decision regarding the adjudication of a contract is final.

5.1 The Chairperson/ Delegated official must present the Bid Evaluation Committee’s recommendation report to the Bid Adjudication Committee for consideration.

5.2 Any queries and answers as well as the decision of the Bid Adjudication Committee must be recorded in writing and signed by the members.

5.3 Where consensus cannot be reached between the members of the Bid Adjudication Committee, the matter must be referred to the Accounting Officer for finalisation.

5.4 Where consensus cannot be reached between the members of the Bid Evaluation Committee and the Bid Adjudication Committee, the matter must be referred to the Accounting Officer for finalisation.

5.5 Once approval has been granted, the SCM Unit may prepare the contract or other contractual documentation.
5.6 If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must prior to awarding the bid:
5.6.1 Check in respect of the preferred bidder whether that bidder’s municipal rates and taxes and municipal service charges are not in arrears.
5.6.2 Notify the Accounting Officer.
5.7 The Accounting Officer may:
5.7.1 After due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee.
5.7.2 If the decision of the Bid Adjudication Committee is rejected, refer the decision of the Bid Adjudication Committee back to that Committee for reconsideration.
5.8 The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or the Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.
5.9 The Accounting Officer must comply with section 114 of the MFMA within 10 working days.

### POLICY
**DELEGATED POWERS RELATING TO THE ACQUISITION OF GOODS, SERVICES AND THE EXECUTION OF WORK AND THE DISPOSAL OF ASSETS**

- Approval authority apply for acquisitions (excluding the appointment of professional service providers) in respect of quotations.

<table>
<thead>
<tr>
<th>AMOUNT (VAT INCLUSIVE)</th>
<th>DELEGATED BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions to a maximum of R 2,000</td>
<td>Persons on post level 4</td>
</tr>
<tr>
<td>Acquisitions from R 2,001 up to R 30,000</td>
<td>Persons on level 2 + 3</td>
</tr>
<tr>
<td>Acquisitions from R 30,001 up to R 200,000</td>
<td>Departmental heads</td>
</tr>
<tr>
<td>Acquisitions from R 200,001 up to R 1,500,000</td>
<td>Bid Adjudication Committee</td>
</tr>
<tr>
<td>Acquisitions exceeding R1,500,001</td>
<td>Municipal Manager</td>
</tr>
</tbody>
</table>

- Approval authority in respect the appointment of professional service providers

<table>
<thead>
<tr>
<th>AMOUNT (VAT INCLUSIVE)</th>
<th>DELEGATED BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointments up to R 200,000</td>
<td>Departmental Heads</td>
</tr>
<tr>
<td>Appointments from R 200,001 up to R 500,000</td>
<td>Bid Adjudication Committee</td>
</tr>
<tr>
<td>Appointments exceeding R 500,001</td>
<td>Municipal Manager</td>
</tr>
</tbody>
</table>

- Approval authorities for disposal of capital Assets

<table>
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<tr>
<th>SUBJECT MATTER OF DISPOSAL</th>
<th>DELEGATED BODY</th>
</tr>
</thead>
</table>

Deciding whether a specific immovable capital asset (land asset) is required for providing a basic level of municipal service

<table>
<thead>
<tr>
<th>Task</th>
<th>Responsible Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposing of movable capital assets with an estimated market value above R 1 m</td>
<td>Council</td>
</tr>
<tr>
<td>Disposing of movable capital assets with an estimated market value below R 1 m</td>
<td>Municipal Manager</td>
</tr>
</tbody>
</table>

### Section 20. Contractual Commitments

#### 1 CONCLUSION OF CONTRACTS

**POLICY**

- The SCM Unit must finalise the adjudication by issuing the letter of acceptance, the contract form, including the service level agreement and formal contract, where applicable.
- The acceptance of a successful bid must be in writing and must be sent by registered/certified mail or as indicated in a special condition; the principle being that there must be a mechanism of proof of delivery.
- Up to a predetermined monetary value for quotations, the official with the necessary delegated authority must sign orders or other necessary documentation to commit the Municipality.
- Up to a predetermined monetary value for quotations, the official with the authority to award may be the official who contractually commits Municipality.
- Above the predetermined monetary value, an official with the necessary delegated authority to contractually commit Municipality must sign the letters of acceptance and contract form or other necessary documentation to commit Municipality.
- The official with the necessary delegated authority to commit Municipality, must be satisfied that all the necessary contractual conditions have been included prior to signing.
- City of Matlosana’s contract documents must promote uniformity across the entity.
- Both parties to the contract must sign the contract form or formal contract.
- Legal copies must be kept in a safe place for judicial reference.
- A copy of the letter of acceptance and a copy of the tax clearance certificate supplied by the contractor must be forwarded to SARS for control purposes.

1.1 A contract or agreement procured through the supply chain management system of Municipality must:

   1.1.1 Be in writing.

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

   1.1.2.1 The termination of the contract or agreement in the case of non-or underperformance.

   1.1.2.2 Dispute resolution mechanisms to settle disputes between the parties.

   1.1.2.3 A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years.

   1.1.2.4 Any other matters that may be prescribed.

1.2 The Accounting Officer must:
1.2.1 Take all reasonable steps to ensure that a contract or agreement procured through the supply chain management manual of Municipality is properly enforced.
1.2.2 Monitor on a monthly basis the performance of the contractor under the contract or agreement.
1.2.3 Establish capacity in the administration of Municipality:
   1.2.3.1 To assist the accounting officer in carrying out the duties of contract management.
   1.2.3.2 To oversee the day-to-day management of the contract or agreement.
1.2.4 Regularly report to the Council of Municipality on the management of the contract or agreement and the performance of the contractor.
1.3 A contract or agreement procured through the supply chain management manual of the Municipality may be amended by the parties, but only after:
   1.3.1 The reasons for the proposed amendment have been tabled in the Council of the Municipality.
   1.3.2 The local community:
       1.3.2.1 Has been given reasonable notice of the intention to amend the contract or agreement.
       1.3.2.2 Has been invited to submit representations to the municipality.
1.4 A binding contract is concluded when a bidder’s offer is accepted unconditionally by Municipality before the validity period has expired. By signing the letters of acceptance, the contract is concluded.
1.5 After the award of a quotation/bid, the quotation/bid must be finalised by the SCM Unit by issuing the letter of acceptance, the contract form, including a service level agreement and formal contract, where applicable.
1.6 The SCM Unit must draw up the contractual documentation in line with recommendations approved by the relevant Award Structure. It is the responsibility of the SCM Unit to determine under which circumstances they have to solicit legal assistance.
1.7 Care must be taken that letters of acceptance contain no conditions, or do not even imply the acceptance of conditions, that the relevant Award Structure has not approved as being part of the conditions of the contract to be concluded. Any special conditions set by the bidder, that has not been withdrawn, as well as any special conditions, that were approved, must also be included in the letter of acceptance.
1.8 In the case of term contracts where a bigger number of items are involved, the contract circular drawn up, must be used as part of the letter of acceptance.
1.9 The SCM Unit must inform the successful provider of the award by way of the letter of acceptance and invite the provider to come and sign the contract form or formal contract where applicable.
1.10 Both parties to the contract must sign the contract form or formal contract.
1.11 If more than one company bids as a consortium, the letter of acceptance and the contract form must be addressed to the company that signed the bid on behalf of the consortium.
1.12 After the provider’s signature has been obtained, the SCM Unit must submit the contract form or formal contract to the official with the authority to commit Municipality through a signature.
1.13 The signatory must ensure that he/she are satisfied that all the necessary conditions are included.
1.14 All correspondence, including letters of acceptance of bids, is signed on behalf of the Accounting Officer. This is an administrative arrangement and although the Accounting officer accepts accountability for the contract, that is concluded, the signatory remains responsible for the contract and for the correctness of the data supplied.  
1.15 The contract form to be signed must be accurate, impersonal, unambiguous, legible and complete. The contract form, together with all the documents such as the specification, special conditions and GCC that together make up the full contract document serves as is for placing orders, the administration of contracts and the settlement of disputes.

1.16 Discounts are always indicated in the contract form so that Municipality, where possible, may utilise it.

1.17 A copy of the letter of acceptance and a copy of the tax clearance certificate supplied by the contractor must be forwarded to SARS for control purposes at the following address:

1.17.1 The Commissioner  
South African Revenue Services  
Private Bag X923  
Pretoria  
0001  
Tel: (012) 422 4444, Facsimile (012) 422 6843

1.18 Legal copies must be kept in a safe place for judicial reference.

2 FORMAL CONTRACTS

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>· A formal contract must form part of the quotation/bid documents, if required to be signed.</td>
</tr>
<tr>
<td>· Formal contracts are concluded only where this is stated as a requirement in the quotation/bid document.</td>
</tr>
<tr>
<td>· If a formal contract is concluded, an order must still be placed with the successful provider.</td>
</tr>
</tbody>
</table>

2.1 Where all parties concerned sign further documentation as an agreement in addition to the letter of acceptance and the contract form, it is defined as a formal contract.

2.2 Such formal contract will usually be in addition to the task directive/specification or special conditions of the bid and must form part of the bidding documents.

2.3 Should such a formal agreement contain conditions that were not approved by the Accounting Officer or the delegate, then such proposed formal contract must be submitted for approval prior to signature. Should the document contain new conditions, then these conditions must be cleared with legal counsel beforehand.

2.4 Both the user group and the SCM Unit have a responsibility towards managing a contract.

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

3 SERVICE LEVEL AGREEMENT

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>· A service level agreement (SLA) may be compiled and signed if required by relevant department.</td>
</tr>
</tbody>
</table>
3.1.1.1 A service level agreement (SLA) is a document that defines the relationship between two parties, namely the contractor and the client and spells out services and activities to be executed, due dates and turnaround times.

4 CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

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

4.1.1 A cap on the compensation payable to the service provider.

4.1.2 That such compensation must be performance based.

5 TIME OF CONCLUSION

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>A contract is concluded at the time that the letter of acceptance is posted even if the contract form and formal contract is only signed at a later date, unless stated otherwise in the quotation/bid documents.</td>
</tr>
</tbody>
</table>

5.1 The acceptance of a bid must be in writing and must be sent by registered/certified mail or as indicated in a special condition, the principle being that there must be a mechanism of proof of delivery. Therefore, once the letter of acceptance has been sent, a contractual commitment has been made and it becomes effective. The relevant date stamp of the Post Office serves as proof of the time.

5.2 If the letter of acceptance is handed over, a mechanism of proof of delivery must be kept on file to ensure it is documented that a contractual commitment was established before the validity expired.

5.3 The signing of the contract form or formal contract, where applicable, serves to enhance the contract established.

1 INFORMATION ACCESS

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>All bidding information remains strictly confidential.</td>
</tr>
</tbody>
</table>

| Every bidder must be informed of final bid results. |

| The information of one bidder may not be disclosed to any other bidder. |

2 INFORMING THE SUCCESSFUL BIDDERS

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>The successful bidder must be notified in writing by registered or certified mail of the acceptance of the bid within the original validity period of the bid.</td>
</tr>
</tbody>
</table>
The information of other bidders may not be disclosed to the successful bidder.

2.1 The successful bidder must be notified in writing of the award by registered or certified mail through a letter of acceptance signed by the relevant delegated authority. This must be done within the original validity period of the bid. Although the successful bidder may be informed telephonically, it must be followed up in writing with a note to that effect.

2.2 The above process will allow the SCM Unit to follow the note up with the appropriate contract documentation.

3 INFORMING THE UNSUCCESSFUL BIDDERS

POLICY

On written request, any bidder must be provided with the reasons why the bid was unsuccessful.

3.1 Once the successful bidder was advised of the award, the SCM Unit must inform unsuccessful bidders in writing that their bids were unsuccessful. At this stage no detail on why bids where unsuccessful, has to be provided.

3.2 Each bidder, on request, is entitled to feedback concerning its own bid.

3.3 When an unsuccessful bidder requests reasons why the bid was unsuccessful, the bidder must be requested to forward the request in writing to the Municipality. Once the written request is received, the reasons why the bid was unsuccessful must be provided in writing. It is therefore imperative that proper reasons are recorded in the evaluation and recommendation report so that it may be used to provide the bidder with justifiable reasons.

3.4 Should the bidder not be satisfied with the explanation given after consultation with the Municipality, the bidder may refer the matter to the National Treasury, the Public Protector or a court of law.

Section 21: Access to Bidding Information

4 DISCLOSURE OF INFORMATION

POLICY

Bids are not available for perusal by the public.

According to sections 36 and 63 of the Promotion of Access to Information Act, Act No 2 of 2000, a public body must refuse a request for access to a record of the body if the record contains:

- Trade secrets of a third party.
- Financial, commercial, scientific or technical information, other than trade secrets, of a third party, the disclosure of which would be likely to cause harm to the commercial or financial interest of the third party.
- Information supplied in confidence by a third party, the disclosure of which could reasonably be expected:
- To put that third party at a disadvantage in contractual or other negotiations.
4.1 When divulging information, a balance must be stricken between one party's right to access of information and the right to confidentiality of the other party.

4.2 Bids are not available for perusal by the public.

4.3 The reasons why another bidder’s bid was unsuccessful should not be supplied, as this may contain privileged information (e.g. a negative banking report).

4.4 No itemised prices other than the formal contract prices of the successful bidder(s) may be supplied to competitors.

4.5 According to the prescripts of section 36 of the Promotion of Access to Information Act, No 2 of 2000, no information may be revealed that will prejudice a third party in commercial competition. Revealing itemised prices of unsuccessful bidders may reveal their trade secrets/strategies and no such information may be revealed without the written consent of the relevant bidder(s).

5 PUBLISHING OF AWARD

5.1 The following information on the successful bids must be available in the media where the bid was originally advertised and must also be published on the City of Matlosana's website:

5.1.1 Contract number and description.
5.1.2 Name(s) of the successful bidder(s).
5.1.3 Contract price(s).
5.1.4 Brand name(s) of the product where applicable.
5.1.5 Delivery basis.
5.1.6 Preferences claimed where applicable.
Section 22. Contract/Project Management

1 GENERAL RESPONSIBILITIES

POLICY
- A contract or agreement procured through the SCM system of municipality must:
  - Be in writing.
  - Stipulate the terms and conditions of the contract or agreement which must include provisions providing for:
    - The termination of the contract or agreement in the case of non- or under-performance.
    - Dispute resolution mechanisms to settle disputes between the parties.
  - A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years.
  - The relevant user group takes responsibility for day-to-day management and monitoring of a contract in line with the contractual conditions.
  - The SCM Unit takes responsibility for maintaining original contract documentation and monitoring contracts in terms of renewals, transfers, terminations, amendments and price adjustments.

1.1 Contract management can be defined as maintaining control or influence over the contractual agreement between Municipality and the contractor including the administering and regulating of the agreement.

2 MANAGING THE CONTRACT

POLICY
- The Accounting Officer must take all reasonable steps to ensure that a contract or agreement procured through the SCM Manual of the Municipality is properly enforced.

2.1 Both the user group and the SCM Unit have a responsibility towards managing a contract.
2.2 The nature of the responsibility will determine who manages the specific contractual aspect.
2.3 The management of contracts, includes, inter alia but is not limited to the aspects mentioned in this section.

3 CORRECTION OF AN INCORRECT ACCEPTANCE

POLICY
- Mistakes in the letter of acceptance, contract form and/or formal contract must be reported immediately to the official in charge of the SCM Unit.
- Every effort must be made without delay to recover the original letter of acceptance, contract form and/or formal contract from the contractor.
- Where it is not possible to recover the original, all particulars of the incorrect acceptance must be reported to the relevant award structure together with a recommendation regarding the corrective steps that are envisaged.

3.1 As soon as it has been determined that a mistake occurred in the letter of acceptance or other contractual documentation, the contractor must be contacted to obtain the incorrect documentation.
3.2 Discuss the mistake with the contractor as well as what the rectification would entail so that the contractor may be willing to return the contractual documentation for rectification.

3.3 Should the contractor not wish to return the documentation to the Municipality, this fact as well as the reasons must be recorded and submitted to the Accounting Officer indicating the effect that the non-rectification will have on the Municipality.

4 CONTRACT MONITORING

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ The Accounting Officer or delegate must monitor the performance of the contractor under the contract or agreement on a monthly basis.</td>
</tr>
<tr>
<td>☐ The Accounting officer must regularly report to the Council on the management of the contract or agreement and the performance of the contractor.</td>
</tr>
<tr>
<td>☐ Constant monitoring is essential to ensure that contractual obligations are met and that contracts run with as little disruption as possible.</td>
</tr>
<tr>
<td>☐ The SCM Unit is responsible for notifying the user group timely of term contract expiry that will allow the user group sufficient time to decide whether to renew the contract.</td>
</tr>
<tr>
<td>☐ The user group 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.</td>
</tr>
<tr>
<td>☐ Regular meetings with contractors to discuss progress, deliverables, foreseeable problems and/or amendments must be held during the contract period.</td>
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</tbody>
</table>

4.1 Ensure that the contract is structured in such a way as to allow the easy monitoring thereof on a deliverable basis.

4.3 TRADEMARK / BRAND NAME

<table>
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<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>☐ 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.</td>
</tr>
</tbody>
</table>

4.4 TESTING AND INSPECTION OF SUPPLIES

4.4.1 In cases where a specification for a product exists, or where a specification is drawn up by an authority recognised by SANAS at the request of the Municipality, the contract form and the contract circular must indicate whether the supplies are subject to consignment inspections, sample testing or the approval of pre-production samples, as the case may be. An authority recognised by SANAS must be advised accordingly.

4.4.2 Inspections are carried out on whatever items the Bid Specification Committee considered to be necessary as indicated in the contract established. Where relevant, bidding documents, contract forms, contract circulars or orders must reflect the fact that an authority recognised by SANAS will carry out inspections, consignment inspections before delivery (i.e. inspections of supplies that have to be sent to an organisation as a result of an
order) or sample testing (i.e. testing that is carried out without prior notice to the contractor and that takes place from time to time either at the factory or at the Municipality delivery point. When orders are placed and inspection must take place before consignment, a copy of the order must be sent to an authority recognised by SANAS with the request for an inspection to be carried out. The contractor must be instructed to advise an authority recognised by SANAS when the consignment is ready for inspection.

4.4.3 The inspection of supplies may be carried out either before consignment at the contractor's premises or after receipt. Inspection at the contractor's premises is preferable because any faults in the consignment are then indisputably the responsibility of the contractor.

4.4.4 If the Bid Specification Committee has set no inspection requirements and no mention was made of it in the contract form, but Municipality deem it to be necessary that inspections should be carried out, they must make the necessary arrangements themselves. The inspection costs will then also be for their own account.

4.4.5 Where a contract is awarded on the grounds of evaluation of a representative sample, such sample is kept for the contract period and is regarded as the contract sample. Deliveries are then compared with it in order to ensure that the quality does not deteriorate. However, if it does not correspond exactly with the contract sample, the consignment must be rejected and the contractor requested to remove and replace it immediately.

4.4.6 Samples kept by the Municipality for control purposes may be accepted as partial execution of the contract, in which case the contractor must be requested to deliver only the balance. If a sample is not accepted as partial delivery, the contractor must be requested to collect it after termination of the contract.

4.4.7 In the event where a consignment is rejected, the authority recognised by SANAS will inform the Municipality and the supplier of the result. A guideline with regard to acceptance at a reduction in price must be furnished by an authority recognised by SANAS. The Municipality shall, after consultation with the SCM Unit and with the approval of the relevant award structure, convey its decision to an authority recognised by SANAS and the supplier.

4.4.8 Costs of testing

4.4.8.1 All pre-bid testing will be for the account of the bidder.

4.4.8.2 The costs of testing in connection with specific term contracts and ad hoc contracts are the responsibility of the Municipality.

4.4.8.3 Where a test indicates that a consignment or sample complies with the requirements, The Municipality carries the cost of the tests. Where a consignment or sample fails the tests, the contractor carries the costs.

4.4.8.4 Where specific conditions regarding the testing of supplies are incorporated in a bid invitation, such as a requirement that an inspection certificate not older than a stated period of time must support a bid, the bid conditions must address the cost implication of the obtaining of such certificate.

5 LONG TERM CONTRACT REVIEW

5.1 City of Matlosana must perform a periodic review of the contract of agreement once every three years in the case of a contract or agreement for longer than 3 years.
6 NON-CONTRACTUAL PURCHASES

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

6.1.1 In cases of emergency; or

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

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

6.1.4 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.

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

6.1.5 These aspects must be contained in the general conditions of contract.

7 PAYMENTS

POLICY

- Under normal circumstances payment is made for supplies in accordance with the contract conditions only after it has been delivered and, where applicable, installed, in good working order.

7.1 These aspects must be contained in the general conditions of contract.

7.2 Sound cash management include avoiding pre-payment or advance payment for goods/services (i.e. payments in advance of the receipt of the goods/services), unless required by the contractual conditions.

7.3 Where a contractor requires an advance payment or a progress payment and this is not a contract condition, payment may be made only with the prior approval of Accounting Officer or the delegate.

7.4 The conditions for advance payment would normally have to include a letter of credit as a counter commitment to the advance.

8 OVER-/UNDER-DELIVERIES

POLICY

- Over- or under-deliveries may be accepted in accordance with the Accounting Officer’s delegated powers.

8.1 Large over-deliveries may be accepted, provided the discount to be received for the larger quantities has been satisfactorily negotiated with the supplier.

9 DISCOUNTS ON INVOICES

POLICY

- In cases where a discount is not a contract condition and a contractor indicates a discount on his invoice, this discount must be utilised if possible, for instance by making payment within the time limit specified on the invoice. However, orders must at all times be placed in accordance with the contract conditions, i.e. non-contractual discounts must not be taken into consideration when placing orders.
### 10 INSOLVENCY, LIQUIDATION, DEATH, SEQUESTRATION OR JUDICIAL MANAGEMENT OF CONTRACTORS

#### POLICY
- In terms of the general conditions of contract, Municipality has certain options, which it may exercise in the case of insolvency.
- The risk to City of Matlosana is the determining factor and the choice with the smallest degree of risk is preferred.

10.1 Insolvency or bankruptcy is the failure/inability to meet financial obligations. An act of insolvency is any of the eight actions as described in the Insolvency Act whereby a guilty party subjects it to sequestration.
10.2 Sequestration is firstly to place an insolvent debtor's estate in the hands where the Master decides on the estate and thereafter it rests with the trustee that distributes the assets (money) among the creditors or, secondly where the court determines insolvency.
10.3 Liquidate is to determine and settle/wind up the liabilities of a firm or an estate and to mete out the assets to creditors or inheritors.
10.4 Judicial management is the temporary management of a company, in a state of financial difficulty, by a judicial/legal manager appointed by the court to rectify the matter.
10.5 When the estate of a contractor is liquidated for whatever reason, a choice must be made in consultation with legal advice on whether to claim against the estate or not. The risk to the Municipality is the determination factor and the choice with the smallest degree of risk is preferred.
10.6 If a firm or person is liquidated and cannot further honour its commitment, it is regarded as a breach of contract. The provisional liquidator or administrator is given the choice of carrying out the contract or not. In most cases, the response is negative and a provisional claim against the estate is then registered and must be qualified to the extent that Municipality will claim provided that it does not have to make a financial contribution.
10.7 A procuration must be signed in terms of which the liquidator may act on behalf of Municipality, Officer or the delegate. Unless it is otherwise in the best interest of Municipality, it is unlikely that the transfer will be approved if Municipality would suffer a loss as a result thereof or if there is an increased risk to municipality.

11.1.3 Should the contract be transferred to another provider, it should be checked whether the number of preference points scored are less than that scored by the original contractor. Thus it should be indicated if the transfer would have had an influence on the original award of the contract. However the circumstances leading to the transfer must be pointed out and taken into consideration.
11.1.4 The contractor will raise the issue with the user group in writing where after the user group must comment of the viability of the transfer/cession and submit the request to the SCM Unit.
11.1.5 If the transfer/cession is not viewed favourably for a justifiable reason, the SCM Unit must inform the contractor of the decision in writing and provide the user group with copies of the correspondence for filing purposes.
12 TRANSFER OF CONTRACT PAYMENTS

POLICY

- Transfer of payments may be considered in cases where a contractor makes application on an official letter signed by the CEO, or any other authorised person, for monies due to the contractor, to be paid to another person or organisation, such as a bank or supplier of materials.
- Contract payments may be transferred on the recommendation of the Municipality and with the relevant award structure’s approval only.
- Written confirmation must be obtained from the contractor as requests for transfer of payment received from another person or organisation cannot be considered favourably.
- Every application must be dealt with on its own merits. Favourable consideration will result only where it is not to the detriment of the Municipality.

12.1 Great circumspection must be used in dealing with such applications. When the request is received from a contractor's supplier, bank, attorney or any other organisation, written confirmation must be obtained from the contractor first. After approval has been received for the transfer of the payments, the user group must be informed and the payment department (in Finance) advised of the new payment requirements and requested to make payments accordingly. At the same time the contractor must be advised that any receipt issued by the transferee will serve as proof of payment of the amount concerned to the contractor.

12.1.1 Although the transfer of payments is regarded as undesirable, every application must be dealt with on its own merits. Favourable consideration will result only where it is not to the detriment of Municipality.

12.1.2 In the case of certain commodities and services, such as rented equipment, transfer of payment is often required because the contract has been discounted to a bank, sometimes without the knowledge or approval of the client concerned. Such action is unauthorised and is tantamount to a breach of contract. Municipality is not compelled to honour such a transfer of payment.

13 CONTRACT VARIATIONS/AMENDMENTS

POLICY

- A contract or agreement procured through the SCM policy of Municipality may be amended by the parties, but only after:
  - The reasons for the proposed amendment have been tabled in the Municipal Council.
  - The local community:
  - Has been given reasonable notice of the intention to amend the contract or agreement.
  - Has been invited to submit representations to City of Matlosana.
  - Amendments may not materially alter the original objective; as such amendments should form part of a new bid invitation.
  - All contractual parties must agree to the amendment in writing.
  - No contract may be amended after the original contract has ceased to exist.
13.1 GENERAL

13.1.1 When an item on contract is no longer available and another item has to be substituted, this implies an amendment of the contract. Such an amendment must be submitted to the relevant award structure for approval. When a contractor is no longer able to supply a contract item and offers a substitute that is more expensive, and the amendment is to the disadvantage of the Municipality, the Accounting Officer or the delegate approval must be obtained if the substitute item offers additional benefits which can be utilised by the Municipality and which justify the additional cost, it can be accepted.

13.1.2 For the appointment of consultants, any granting of a substantial extension of the stipulated time for performance of the contract, agreeing to any substantial amendment of the scope of the services, substituting key staff, waiving the conditions of a contract, or making any changes in the contract that would in aggregate increase the original amount of the contract by more than 20 percent, is subject to the approval of the Accounting Officer or the delegate.

13.1.3 The contractual conditions should stipulate the conditions under which amendments may be considered and the process to be followed in such circumstance.

13.1.4 No variation in or modification of the conditions of contract may be made without all the parties signing the amendment.

13.1.5 The user group must approach the SCM Unit with the request for amendment. The SCM Unit should contact the contractor to determine whether he/she will be amenable to an amendment to the contract within the allowable parameters.

13.1.6 If the contractor is prepared to amend the contract and it is confirmed in writing, the SCM Unit must process the amendment and supply the user group with the details of the amendment.

13.1.7 The SCM Unit must involve legal assistance for the purpose of drawing up the amendment, if required. The SCM Unit must facilitate the signing of the amendment by all parties. A signed copy must be forwarded to the user group and the contractor and the SCM Unit must file the original signed amendment appropriately.

13.2 INCREASE/DECREASE OF QUANTITIES OR RANGE OF SERVICES

13.2.1 Before calling for bids, care must be taken to establish the quantities / range of services required as reliably as possible so that the need to increase / decrease quantities / range of services during the contract period may be kept to the minimum. Quantities / range of services may be decreased provided consensus exists between Municipality and the contractor and the unit prices remain unchanged.

13.2.2 After the original or officially amended quantities / services for which the contract was arranged, have been delivered, the contract ceases to exist. It is then no longer possible to purchase further items / services on the contract.

13.3 EXTENSION OF CONTRACT PERIODS

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>The extension of a contract must be finalised before the current expiry date of the contract.</td>
</tr>
<tr>
<td>Where prices are amended for the extended period, the reasonableness of the prices must be established.</td>
</tr>
</tbody>
</table>
13.3.1 Extension of contract periods is undesirable because it often leads to uncontrolled increases in the contract prices. These must therefore be restricted to the minimum. The user group is responsible for ensuring that timely application is made for the arrangement of new contracts. Where justifiable reasons are provided for extending a contract, the relevant application may be considered favourably and contractors may be approached with the request to indicate whether they are prepared to extend the contract period.

13.3.2 The fact that extension of contracts might affect the schedule for other contracts must also be borne in mind.

13.3.3 If contractors are prepared to extend the contract period, but with amended price conditions, the reasonableness of the prices must be established.

13.3.4 Contracts may normally not be extended beyond the period as determined by the Accounting Officer’s delegated powers. However, the market must again be tested before the extended period has expired.

13.4 EXTENSION OF DELIVERY PERIODS

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>Delivery periods may be extended according to the Accounting Officer’s delegated powers.</td>
</tr>
</tbody>
</table>

13.4.1 Motivated applications for the extension of delivery periods in respect of ad hoc and specific term contracts may be considered favourably, but are subject to the restriction that no price adjustments, which arise during the extended period, will be considered. However, price adjustments during the extended period may be considered favourably if the Municipality requested the extended delivery period, or when delayed deliveries are caused by the actions of the Municipality.

13.5 AMENDMENT OF CONTRACT CONDITIONS

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td>Amendments may be considered on its merits bearing in mind the best interest of Municipality. Amendments, that prejudice Municipality, may be agreed to only with the approval of the relevant award structure.</td>
</tr>
</tbody>
</table>

13.5.1 Applications for the amendment of contract conditions are received from contractors from time to time and are usually to their advantage.

13.6 AMENDMENT OF SPECIFICATIONS

<table>
<thead>
<tr>
<th>POLICY</th>
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<tbody>
<tr>
<td>Where a binding contract has been concluded, an amendment of the specification whether initiated by the contractor or by Municipality, may be made only after negotiation between the contractor and Municipality and through the facilitation of the relevant award structure.</td>
</tr>
</tbody>
</table>

13.6.1 Each case for the amendment of specifications must be dealt with on its own merits, especially as amendments may be required due to legislative changes in the specific environment.
13.6.2 Account must be taken of the fact that the contractor has a right of recourse against Municipality if specifications have to be amended as a result of a mistake by Municipality. It is essential therefore that a settlement is reached with the contractor.

13.6.3 In the process the cost to the contractor must be considered for amending the contractual conditions.

13.7 CONTRACTUAL PRICE ADJUSTMENTS

<table>
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<th>POLICY</th>
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<tbody>
<tr>
<td>The contractual conditions must stipulate the circumstances under which price adjustments will 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.</td>
</tr>
<tr>
<td>In cases of term contracts, price adjustments must be considered on a quarterly basis and this condition must be indicated in the bid document.</td>
</tr>
<tr>
<td>No price adjustments should preferably be considered for a contract period less than twelve (12) months.</td>
</tr>
<tr>
<td>The prescribed formula will be used for adjustment of prices due to the fluctuation of the indices.</td>
</tr>
<tr>
<td>Indices compiled by Statistics South Africa must be used for price adjustments.</td>
</tr>
<tr>
<td>Rate of Exchange (ROE) fluctuations are only allowed on the imported content of the commodity.</td>
</tr>
</tbody>
</table>

13.7.1 In cases where the user group received a request for price adjustment from the contractor, the request must immediately be forwarded to the SCM Unit for facilitation.

13.7.2 The SCM Unit is responsible for confirming that the request is in line with the contractual conditions and must verify the calculations presented.

13.7.3 Once the request is accepted as correct and approved by the official with the necessary delegated authority, the SCM Unit must inform the contractor in writing and must inform the user and the finance groups of the approved amendment to demonstrate the influence of the change on the contract.

13.7.4 The SCM Unit must file the amendment with the original contract.

13.7.5 Contractual price adjustments are considered in terms of the contract conditions.

Since the general conditions of contract cannot set out conditions pertaining to price increases, it is important that all bid documentation must contain the relevant special conditions pertaining to price increases.

13.7.6 The following should be used for pricing schedules:

13.7.6.1 Firm prices for purchases

- If the contract is awarded on the basis of firm prices, and during the contract period –

- A customs or excise duty or any other duty, levy or tax (excluding any anti-dumping and countervailing duties or similar duties), is introduced in terms of any Act or regulation, or

- Any such duty, levy or tax is legally changed or abolished; the said prices must be adjusted accordingly.

13.7.6.2 Non-firm prices for purchases

- In respect of any factors which demonstrably have an influence on the production cost of the supplies or the rendering cost of the service for which there have been proposed on the basis of non-firm prices, price
adjustments that become effective during the contract period, may be allowed with effect from the date indicated in the bid document.

13.7.7 Period for claims

13.7.7.1 The adjustment in price shall cover only the period between the closing date of a bid and the final delivery date in terms of the contract.

13.7.7.2 Claims against Municipality must be proven to the satisfaction of the SCM Unit as soon as possible.

13.7.8 Price adjustments due to escalation

13.7.8.1 In some instances (contracts exceeding 12 months) it might be in the best interest of Municipality to allow price adjustments based on escalation. What the best option should be will require a careful analysis of all related aspects that will influence the adjusted price, including the cost for the additional administrative work. If the Bid Specification Committee resolves to allow price escalation as part of the contract, this should be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments should be considered.

13.7.8.2 The following formula is applicable if adjustments of prices are allowed:

\[
\text{Pa} = \text{VPt} \left( 1 - \frac{(1-V)Pt}{Rno} \right) + R1t - R2t + R1o - R2o
\]

Where:

- \( \text{Pa} \) = the new escalated price to be calculated.
- \((1-V)Pt\) = 85% of the original bid price. Note that Pt must always be the original bid price and not an escalated price.
- \( D_1, D_2 \) = each factor of the bid price e.g. labour, transport, clothing, footwear, etc. The total of the various factors \( D_1, D_2 \ldots \) etc. must add up to 100%.
- \( R1t, R2t \) = Index figure obtained from new index (depends on the number of factors used).
- \( R1o, R2o \) = Index figure at time of bidding.
- \( \text{VPt} \) = 15% of the original bid price. This portion of the bid price remains firm i.e. it is not subject to any price escalations.

13.7.9 Price adjustments due to fluctuation in the rate of exchange

13.7.9.1 The price adjustments based on ROE fluctuations, should be allowed only on the imported contents of the commodity to meet only the suppliers' additional costs of the imported content.

13.7.9.2 Where the whole or a portion of the bidding price may be affected by the revaluation of currencies or any fluctuation in the ROE, the bidder shall, in accordance with the bidding requirements, state in the bid the amount to be paid in foreign currencies or to be remitted abroad, as well as the rate of exchange applied in the conversion of that amount into South African currency in calculating the bid price.

13.7.9.3 All rate of exchange claims must be accompanied by proof from the bank of the existing exchange rate.
### 13.8 Non-Contractual Adjustment of Prices

**Policy**
Non-contractual adjustment of prices is normally not allowed.

13.8.1 For example, when contractors suffer a loss as a result of their own negligence, price adjustments not covered by the contract are not favourably considered. However, where a contractor suffers loss as a result of circumstances beyond his control, or as a result of incorrect action by Municipality and particularly when such loss might cause its downfall, non-contractual price adjustments may be considered by Municipality. If such adjustments are to the disadvantage of City of Matlosana and the necessary Accounting Officer or the delegate approval must be obtained.

### 13.9 Reduction of Prices

**Policy**
City of Matlosana must accept price reductions after award of a contract where this is advantageous to Municipality, unless the acceptance of the price reduction amounts to breach of contract.

### 14 Unsatisfactory Performance

**Policy**
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.

### 14.2 Unsatisfactory Performance: National Treasury’s Role

**Policy**
- National Treasury must establish a mechanism to receive and consider complaints regarding alleged non-compliance with the prescribed norms and standards; and
- To make recommendations for remedial actions to be taken if noncompliance of any norms and standards is established, including recommendations of criminal steps to be taken in the case of corruption, fraud or other criminal offences.

### 14.3 Restriction

**Policy**
- City of Matlosana may in terms of Treasury Regulations 16A9.2:
  - Disregard the bid of any bidder if that bidder, or any of its directors:
    - Have abused City of Matlosana’s SCM system;
    - Have committed fraud or any other improper conduct in relation to such system; or
    - Have failed to perform on any previous contract; and
Must inform the National Treasury of any action taken in terms of the aforementioned paragraph.

14.3.1 In terms of The Prevention and Combating of Corrupt Activities Act, only the National Treasury is empowered to impose restrictions on providers that were found guilty by a court of law for criminal offences related to public sector bids.

14.3.2 However in terms of Treasury Regulation 16A9.2 City of Matlosana may restrict or refuse bids as stated in the regulation above. The difference being that the restriction is not placed by a court of law.

14.3.3 When considering restriction, City of Matlosana must ensure that all the facts are made available to all role players and the National Treasury is fully informed of the person or organisation's reactions to the warnings that were issued. Furthermore, care must be taken that the prescribed procedures have been followed, since the court may find that an administrative action, such as the imposition of a restriction, is not –

14.3.3.1 Valid in cases where the person or organisation, for example, has not been given a reasonable time to put the other side of the case, or has not been fully informed of the results of his failure to react. It is also possible that, where contradictions or ambiguities exist, the court will give the benefit of the doubt to the persons or organisations against whom a restriction has been imposed and may pass judgment in their favour.

14.3.3.2 The register of restricted persons or companies prohibited from doing business with the public sector, found guilty by a court of law is obtainable from the National treasury's database. See also Treasury Regulations 16A9.1(c).

15 CONTRACT TERMINATION

POLICY

City of Matlosana must cancel a contract awarded to a supplier of goods of services:

- If the supplier committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract.
- If any official or other role player committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract that benefited the supplier.
- Termination of a contract may be considered for a variety of reasons, as stipulated in the general conditions of contract, such as delayed deliveries, failing to perform any other contractual obligation or if the supplier has engaged in corrupt and fraudulent practises and insolvency.
- Contract termination may be effected if allowed for in the contractual conditions and if both parties agree to the termination in writing.
15.1 Contract termination required by City of Matlosana due to non-rectified breach of contract or corruption, must always be initiated by the SCM Unit in consultation with the user group and legal assistance where required.

15.2 The SCM Unit must forward a notice of termination to the contractor and the user group must be kept informed of the actions taken.

15.3 If the contractor does not agree with the termination, the case must be handed over for legal assistance.

15.4 Termination of a contract is usually detrimental to the Municipality. Therefore serious thought must be given to the grounds for considering termination. Clarity must be reached beforehand on the question of whether the contractor will have a claim against the Municipality or not, and if so, whether termination can be justified. If termination is decided upon, the matter must be explained fully in a memorandum to the Accounting Officer and the following must be addressed:

15.4.1 The arrangements to be made for completing the contract.

15.4.2 Whether additional costs will be recovered from the contractor.

15.4.3 If the additional costs cannot be determined precisely, a careful estimate must be made and mentioned in the submission to the Accounting Officer.

15.4.4 Any claim for the recovery of additional costs must be limited to the minimum actual amounts. Therefore, in such cases, City of Matlosana cannot summarily authorise purchasing to the best advantage of Municipality, since this might prejudice the recovery of the additional costs from the original contractor. There may be other avenues of action, which might result in lower additional costs. Consequently, thought must also be given to the possibility of considering the next lowest acceptable bid received in response to the particular bid invitation, for acceptance. As an alternative, a fresh contract may be concluded through the normal bid procedures. In this process, account must be taken of the time elapsed between the closing of a bid and the cancellation of the contract and the effect of the cancellation on the Municipality’s schedules.

### 16 OBJECTIONS AND COMPLAINTS

**POLICY**

- 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.

### 17 RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

**POLICY**

- The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes of the City of Matlosana, to deal with disputes.

- The AO, or another official designated by the AO, is responsible for assisting the appointed person to perform his or her functions effectively.

17.1 The appointed person is responsible:
17.1.1 To assist in the resolution of disputes between City of Matlosana and other persons regarding:
17.1.1.1 Any decisions or actions taken in the implementation of the supply chain management system.
17.1.1.2 Any matter arising from a contract awarded in the course of the supply chain management system.
17.1.2 To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
17.2 The appointed person must:
17.2.1 Strive to resolve promptly all disputes, objections, complaints or queries received.
17.2.2 Submit monthly reports to the accounting officer on all disputes, objections complaint or queries received, attended to or resolved.
17.3 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:
17.3.1 The dispute, objection, complaint or query is not resolved within 60 days.
17.3.2 No response is forthcoming within 60 days.
17.4 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.
17.5 This above must not be read as affecting a person's rights to approach a court at any time.

Section 23. Logistics Management

1 INTEGRATED LOGISTICS MANAGEMENT

POLICY

The logistics management policy must provide for an effective system for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores management, expediting orders, transport management, vendor performance, and maintenance and contract administration.

Management should strive to minimise the total cost of logistics rather than the cost of each activity. Attempts to reduce the cost of individual activities may lead to increased total costs.

1.1 The foundation of integrated logistics management is total cost analysis, defined as minimising the total cost of transportation, warehousing, inventory, order processing and information systems; the integrated logistics management refers to administering the various activities as an integrated system.

1.2 The system has the following 11 specific sub-processes:
1.2.1 Stores accounting.
1.2.2 Handing and taking over.
1.2.3 Placing of orders.
1.2.4 Stocktaking.
1.2.5 Inventory management.
1.2.6 Transit.
1.2.7 Stores/warehouse management.
1.2.8 Transport management.
1.2.9 Channels of distribution.
1.2.10 Contract administration
1.2.11 Maintenance.

2 STORES ACCOUNTING

2.1 ACCOUNTING FOR STORES AND SERVICES

### POLICY

- The principles of accounting must always be kept in mind when accounting takes place.
- All stores, items or services received must be accounted for.
- Services rendered will be regarded as E-class accountable.
- Accounting in respect of all stores, equipment, livestock and services rendered is to be effected on ledger cards.
- The receipt voucher must be used for external receipts as well as external stores issue.
- When opening a ledger/tally card a register number must be allocated to each card.
- All A-class accountable stores items issued to users must be accounted for in the distribution ledger card.
- Every distribution account holder may delegate duties and responsibilities to inventory holders in writing, per room, floor or building.
- All A-class accountable stores must be accounted for on inventory registers.
- Officials making use of their personal equipment on municipal property must declare such and obtain authority.
- The voucher registry must allow for the orderly and accurate storage of accounting documentation.

#### 2.1.1 Principles of accounting

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

##### 2.1.1.1 Accounting

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

##### 2.1.1.2 Delegation

- The assignment of responsibility and authority from a higher to a lower organisational level must always take place when the responsibility and accountability for stores and equipment or a function is transferred between two officials.

##### 2.1.1.3 Competency

- A function or task may only be delegated to a qualified and competent official.
2.1.1.4 **Handing and taking over**
- Proper handing and taking over procedures must be instituted to ensure the continual determination of responsibility for stores and the administration thereof.

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

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

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

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

2.1.1.9 **Blank spaces**
- No spaces may be left between entries. A rule-off line must also be drawn under the last entry.

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

2.1.1.11 **Amendments to documents**
- Source and accounting documents and ledgers may not be amended. Any amendments needed must be done by means of discrepancy (adjustment) vouchers. If this is not practical, the error may be corrected by drawing a single line through the error. The official and the supervisor authorising the amendment must sign the correction. Under no circumstances may correcting ink be used in or on any file, documents, ledger cards or registers.

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

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

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

2.1.1.15 **Auditing**
A vetting clerk must confirm the correctness of transactions by auditing all accounting transactions. The internal audit unit will also carry out an audit and the risk management committee will manage risk determination audits.

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

2.1.1.17 Item control number (ICNs)
- ICNs must be used on all accounting documents.

2.1.1.18 Source (substantiating) documents
- There must always be source documents to substantiate any accounting transactions.

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

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

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

2.1.1.22 Preservation of documents
- Documents must be preserved whilst held in the registry.

2.1.2 Ledger accounts
2.1.2.1 All stores, items or services received must be accounted for.
2.1.2.2 Services rendered will be regarded as E-class accountable.
2.1.2.3 A-class items are accounted for on all levels, and are those items that are not consumable or expendable, and may be replaced when it becomes unusable. (Tables, chairs, clothing, etc.)
2.1.2.4 E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable after being used (soap, toilet paper, chalk, etc).
2.1.2.5 A-class items must be accounted for on an A-class item ledger card and E-class on an E-class item ledger card before issued, by means of a receipt voucher.
2.1.2.6 A- and E-class ledger cards must be completed in full and must be authorised to be opened by the chief accounting clerk. When the chief accounting clerk is transferred, the new chief accounting clerk as recorded in the index register must countersign all cards.
2.1.2.7 An index register must be kept for all opened A- and E-class ledger cards.
2.1.2.8 Under no circumstances may A- and E-class ledger cards be kept with the stock.
2.1.2.9 The index register must be kept separate from all ledger cards.
2.1.2.10 Under no circumstances may ledger cards or tally cards reflecting transactions be destroyed before the prescribed period of time has elapsed. This timeframe is according to the National Archives Act of South Africa (Act No43 of 1996).

2.1.3 Accounting actions

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

2.1.3.2 Due to the fact that E-class accountable items are consumable/expendable, accounting thereof is only done on chief user level. After issue for local or internal use no accounting is necessary. However, proper and strict control must be implemented, i.e. counter book or register. This principle will never apply to a store, where accounting on all levels must be done.

2.1.3.3 On receipt of the invoice reflecting the correct total for stores (a transit function) or service rendered, it must be certified as correct. A receipt voucher must be completed reflecting all the necessary information and must be posted on the ledger cards.

2.1.3.4 The aim of this accounting action is to determine the total expenditure for services, stock, equipment and items rendered for the financial year. Totals must therefore be correct.

2.1.4 Receipt/Issue voucher

2.1.4.1 The receipt voucher must be used for external receipts as well as external stores issues.

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

2.1.5 Register for ledger cards

2.1.5.1 When opening a ledger/tally card, a register number must be allocated to each card. An index register is used for this function to see that another card was not opened.

2.1.5.2 The index register must be kept by the chief accounting clerk and only he/she can open a register card.
2.1.5.3 Information reflected on the index register must be printed and be under direct control of the chief accounting clerk.

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

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

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

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

2.2 VOUCHER REGISTRATION
2.2.1 The management of voucher files and records has a direct influence on the effectiveness of the internal and external SCM accounting. The voucher registry must allow for the orderly and accurate storage of accounting documentation.
All accounting records created or received during the execution of the SCM functions are public records that must be stored for easy accessibility, facilitating transparency and accountability.

2.2.2 The Archives Act prescribes the requirements for the management of records and it is therefore imperative that records are managed in accordance with the Act and subject to the laid down laws, rules and regulations.

2.2.3 Role of voucher registries

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

2.2.4 Functions of voucher registries

2.2.4.1 The following functions should be allocated to this section:

- Opening and maintenance of registers for the registration of accounting documents.
- Audit of accounting documentation to ensure that transactions have been finalised.
- Filing of finalised documents in numerical sequence.
- Quittance to other accounting entities for external transactions.
- Archiving of documents.
- Disposal of files.

2.2.5 General requirements

2.2.5.1 Safety and preservation

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

2.2.5.2 Quality control

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

2.2.5.3 Loss control

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

2.2.5.4 Division of activities

In order to achieve and maintain efficient control, the activities of voucher registries must be separated from other activities such as acquisition and the physical handling of goods and equipment.
2.2.5.5 Information
- The flow of information with regard to voucher registries must be formalized by the maintenance of appropriate registers and files.

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

2.2.5.7 Competency of officials
- Powers and duties may not be delegated or handed over without the officials being competent to perform such functions. Proper training and regular audits and inspections of their capabilities must be prescribed to ensure the competency of officials.

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

3 HANDING AND TAKING OVER

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<th>POLICY</th>
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<td>- Where handing and taking over between logistics officials, who are in control of stores/equipment, takes place, a handing and taking over certificate must be completed.</td>
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3.1 HANDING AND TAKING OVER REQUIREMENTS
3.1.1 Where handing and taking over between logistics officials, who are in control of stores/equipment, takes place, a handing and taking over certificate must be completed. When administration functions such as accounting, transport, registries or transit are handed and taken over, certificates from subordinates to the effect that the tasks in that function are up to date and that no irregularities exist, must accompany the certificate.
3.1.2 Handing and taking over is also applicable to inventory holders.
3.1.3 If for any reason the person relinquishing responsibility is not available, an impartial official must be nominated in writing by the Accounting Officer, to assist the person taking over the functions and to certify of any discrepancies/irregularities.

3.2 ASSUMING AND RELINQUISHING OF RESPONSIBILITY
3.2.1 The Accounting Officer, his/her stores/equipment controllers and all inventory holders are responsible for the functions, stores and equipment under their control.

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

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

3.2.4 In case of failure to comply with the requirements of a handing and taking over certificate, the person taking over is liable for any shortages/irregularities, unless it can be established that the shortages/irregularities existed prior to his/her taking over.

3.3 HANDING AND TAKING OVER BY ACCOUNTING OFFICERS

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

3.3.1.1 Duties and responsibilities.
3.3.1.2 Accounting for stores and equipment.
3.3.1.3 Stocktaking for the previous financial year.
3.3.1.4 The stocktaking programme.
3.3.1.5 Stores and equipment are being properly stored, preserved, and safeguarded against fire and theft.
3.3.1.6 Outstanding Disposal Committee matters.
3.3.1.7 The quality of stores administration.
3.3.1.8 Audit queries.
3.3.1.9 Building, fixtures and fittings.
3.3.1.10 Official quarters.
3.3.1.11 Maintenance of all facilities.
3.3.1.12 Stores discrepancies.

3.3.2 Relinquishing a post in the absence of an Accounting Officer

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

3.4 HANDING AND TAKING OVER BETWEEN OFFICIALS IN CONTROL OF STORES AND EQUIPMENT

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

3.4.2 Amended handing and taking over procedure

3.4.2.1 When a complete stock take within a reasonable time is impracticable, the head of the office may request prior authority from the Accounting Officer to follow an amended handing and taking over procedure.
3.4.2.2 Should an amended handing and taking over procedure be authorised the incoming member must obtain supporting certificates from all key officials who will be under his control and also from inventory holders where applicable.

3.4.2.3 Any information that needs to be brought to the attention of the Accounting Officer must accompany the handing and taking over certificate.

3.4.2.4 If a member who relinquishes his post cannot be present during the handing and taking over, the Accounting Officer must appoint an impartial person in writing to assist the incoming member.

3.5 HANDING AND TAKING OVER FOR INVENTORY HOLDERS

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

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

3.6 DISCREPANCIES DURING HANDING AND TAKING OVER

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

4 PLACING OF ORDERS

POLICY

- Placing of orders must at all times take place in accordance with this procedure manual.
- Where divisions do not have their own order printing facilities, printing should be done at a central venue.

4.1 Placing of orders must at all times take place in accordance with this procedure manual.

4.2 ORDER ADMINISTRATION PROCESS

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

The steps of the process entails the following:

4.2.1.1 Receipt/authorisation of the procurement file.
4.2.1.2 Printing of the order.
4.2.1.3 Approving the order.
4.2.1.4 Distribution of the copies of the order.
4.2.1.5 Amendment of an order.
4.2.1.6 Cancellation of an order.
4.2.1.7 Control of orders.

4.3 PRINTING THE ORDER

4.3.1 Where divisions do not have their own order printing facilities, printing should be done at a central venue.
4.4 APPROVING THE ORDER
4.4.1 No amendments may be done directly on the order forms. Only the logistics official/s who have been duly authorised thereto in writing may sign orders.
4.4.2 The logistics official must ensure that the word “duplicate” on the corrected order is cancelled and replaced by the work “corrected”.

4.5 DISTRIBUTION OF ORDERS
4.5.1 Each department must maintain a register of those orders created to satisfy its needs. The copies of each order must be distributed as follows:
4.5.1.1 Original copy to the supplier.
4.5.1.2 Copies of the order are distributed as follows:
  - A copy to the accounting section.
  - A copy to the finance section.
  - A copy to transit.

4.6 AMENDMENT OF AN ORDER
4.6.1 Circumstances may arise when it becomes necessary to amend an order. These circumstances could affect the specific items ordered, the specification of the items, the order quantity, the delivery period, the points of delivery, the packaging or even the delivery intervals in the case where partial deliveries have been specified. Each case must be dealt with on its own merit and in terms of the applicable contracts/terms of reference. Amendments to an order could be initiated by either the supplier or the relevant division.

4.7 CANCELLATION OF AN ORDER
4.7.1 Under certain circumstances it may be necessary to cancel an order. The matter must be dealt with in terms of the applicable contract/terms of reference and all the relevant parties must be involved, including the municipality’s legal advisors.
4.7.1.1 Prior approval of the Bid Adjudication Committee may have to be obtained before an order may be cancelled.
4.7.1.2 In cases where an order has been approved for cancellation due to valid reasons, all copies of order must be reclaimed and marked “CANCELLED”.
4.7.1.3 An affidavit stating the reasons for the cancellation must be attached to the order.
4.7.1.4 The supplier must be informed in writing of the reasons, without elaboration, for the cancellation of the order.

4.8 USED ORDER FORMS
4.8.1 Completed, finalised and cancelled order forms must be preserved safely and disposed of after the prescribed period has lapsed.
4.8.2 Damaged order forms must be kept for a period of two months before it may be destroyed.

4.8.3 In the event that duplicate or additional copies of orders are required for administrative purposes, photocopies must be made to obtain these additional copies. Such copies must be certified as such in accordance with the prescribed procedure.

4.9 CONTROL OF ORDERS

4.9.1 The control of orders must not be neglected. Suitable registers must be considered to ensure the control of orders.

5 STOCKTAKING

POLICY

Stocktaking must at all times take place in accordance with this procedure manual.
Stock take of storerooms and asset records must be carried out on a yearly basis.

5.1 Stocktaking must at all times take place in accordance with this procedure manual.

5.2 ROLE OF STOCKTAKING

5.2.1 Stock take is done to determine if the quantities of the physical stores, equipment and assets correspond with the balances as indicated on main and distribution ledgers. Stock take on storerooms and asset records must be carried out on a yearly basis. Reports on the findings and requests for approval of discrepancies must be submitted to the Council for approval.

5.3 FUNCTIONS OF STOCKTAKING

5.3.1 The following functions should be allocated to stocktaking:

5.3.1.1 Determine a stock take programme.
5.3.1.2 Ensure that all accounting transactions have been finalised.
5.3.1.3 Provide lists of all main and distribution ledger accounts to be verified.
5.3.1.4 Do stock count on stores.
5.3.1.5 Do stock count on inventories (distribution) accounts.
5.3.1.6 Compare totals of physical stock with ledger balances.
5.3.1.7 Deal with discrepancies.
5.3.1.8 Make adjustments by constructing discrepancies vouchers.
5.3.1.9 Complete stock takes report.
5.3.1.10 Obtain authority for adjustments.

5.4 ORGANISATION FOR STOCKTAKING

5.4.1 Stock take officer

5.4.1.1 A senior officer must be appointed as stock take officer. The functions of the stock take officer should inter alia include the following:

- Determine a stock take programme.
- Ensure that all accounting transactions have been finalised.
Appoint stock take teams.
Coordinate stock take activities at storerooms and inventories at all levels within the municipality.
Deal with discrepancies by ensuring investigation of the causes.
Submit reports.

5.4.2 Stock take teams
5.4.2.1 Teams must be appointed to do stock take at storerooms and on inventories. Internal Audit must be involved in this activity. The functions of the stock take team should inter alia include the following:
Execute stock take programme.
Ensure that all accounting transactions have been finalised.
Obtain lists of all main and distribution ledger accounts to be verified.
Do stock count on storeroom.
Do stock count on inventories (distribution) accounts.
Compare totals of physical stock with ledger balances.
Deal with discrepancies by investigating the causes.
Make adjustments by constructing discrepancy vouchers.
Complete stock takes report for submission and approval.

6. PURPOSE OF HOLDING INVENTORY
6.1 Inventory serves four (4) purposes within the municipality:
6.1.1 It enables the municipality to achieve economies of scale.
6.1.2 It balances supply and demand.
6.1.3 It provides protection from uncertainties in demand and order cycle.
6.1.4 It acts as a buffer between critical interfaces within the channel of distribution.

6.2 TYPES OF INVENTORY
6.2.1 Inventories can be categorised into the following types:

6.2.1.1 Cycle stock
Cycle stock is inventory that results from the replenishment process (acquisition management) and is required in order to meet demand under conditions of certainty.

6.2.1.2 In-transit inventories
In-transit inventories are items that are en route from the supplier to the end-user.

6.2.1.3 Safety stock
Safety stock is held in excess of cycle stock because of uncertainty in demand or lead time.

6.2.1.4 Dead stock
Dead stock is the set of items for which no demand has been registered for some period of time.

6.3 INVENTORY MANAGEMENT UNDER CONDITIONS OF UNCERTAINTY
6.3.1 Economic order quantity (EOQ)
6.3.1.1 The economic order quantity model may be used to minimise the total of inventory carrying and ordering costs. By determining the EOQ and dividing the annual demand by it, the frequency and size of the order that will minimise the two costs are identified.

6.4 INVENTORY MANAGEMENT UNDER UNCERTAINTY

6.4.1 The uncertainties associated with demand and lead time cause the logistics manager to concentrate on when to order rather than on the order quantity. The following two methods may be used for inventory control under conditions of uncertainty:

6.4.1.1 Fixed order point, fixed order quantity methods

With this method, an order is placed when the inventory on hand and on order reaches a predetermined minimum level required to satisfy demand during the order cycle. The economic order quantity will be ordered whenever demand drops the inventory level to the reorder point.

6.4.1.2 Fixed order interval method

This method compares current inventory with forecast demand, and places an order for the necessary quantity at a regular, specified time.

6.5 SETTING OF INVENTORY LEVELS

6.5.1 Inventory levels

6.5.1.1 The cost of carrying inventory is very high. In instances where stock should be held in store, the inventory levels must be determined with care.

6.5.1.2 In setting inventory levels the following have to be determined:

- Maximum levels.
- Minimum levels.
- Reorder point.
- Safety stock.

6.5.1.3 When to order is solved by determining the reorder point or minimum level. The reorder point is the minimum amount needed for demand during replenishment time (lead time).

6.5.1.4 The re-order point is the daily demand times the replenishment time.

6.5.1.5 There are other factors that could have an effect on lead or replenishment time, for example:

- Transit times.
- If an item has to be produced or manufactured when ordered.
- Goods being damaged or lost in transit.

6.5.1.6 To provide for these factors it is necessary to have safety stock. It is however important not to keep too much safety stock on hand because it results in excess inventory cost.

6.5.1.7 The difference between the maximum level and the reorder point is equal to the economic order quantity.

The reorder point equals the minimum level plus the safety stock.

6.6.1 Calculating safety stock
6.6.2.1 In calculating safety stock levels it is necessary to consider the joint impact of demand and replenishment cycle variability.

6.6.2 Calculating fill rates
6.6.2.1 The fill rate represents the percentage of units demanded that are on hand to fill end-users’ needs.

6.7 MANAGING INVENTORY CARRYING COSTS
6.7.1 The municipality should determine its own logistics costs and strive to minimize the total of these costs, given its customer service objectives.
6.7.2 Inventory carrying costs should include only those costs that vary with the quantity of inventory and that can be categorised into the following groups:
6.7.2.1 Capital costs.
6.7.2.2 Inventory service costs.
6.7.2.3 Storage space costs.
6.7.2.4 Inventory risk costs.
6.7.3 The following two (2) methods of accounting for inventory may be used to ensure effective shelf life management:
6.7.3.1 First-in, first out (FIFO)
□ Stock acquired earliest is assumed to be used first, leaving stock acquired more recently in inventory.
6.7.3.2 Last-in, first out (LIFO)
□ The most recently acquired stock is issued first, leaving items acquired in the earliest time period in inventory.

6.8 FORECASTING
6.8.1 Forecasts drive logistics information system planning and coordination. A forecast is a projection or prediction of the volume or number of units that will likely be demanded.
6.8.2 Accurate forecasts allow the logistics manager to smooth resource demands and to minimise expensive spikes in both capacity and inventory.
6.8.3 Forecasting increases logistics effectiveness by enabling exchange and coordination of information rather than inventory.
6.8.4 In order to achieve supply chain integration, it is obvious that a common forecast should drive all activities.

6.9 ABC-ANALYSIS
6.9.1 The ABC-analysis is a method for deciding which items should be considered for centralised warehousing.
6.9.2 The ABC-analysis may be used as a tool for control. The objective is to identify the items that contribute the most to overall use and value, the A-items.
6.9.3 For A-items, a daily or continuous review of inventory status might be appropriate. B-items should be reviewed weekly, while C-items should receive the least attention. The “dead” items should be eliminated from the inventory.

7 TRANSIT
POLICY

- Goods in transit must at all times be dealt with in accordance with this procedure manual.
- Transit must be an independent section, performing specific functions such as receiving and distribution of goods.
- Goods in transit must at all times be dealt with in accordance with this procedure manual.

7.2 ROLE OF TRANSIT

7.2.1 Transit is the function of the receipt/issue, initiation of accounting and distribution of all goods received into or issued from the municipality. The receipt of services cannot be managed by Transit. Service managers (such as security) are responsible to carry out inspections and verify documentation for correctness. They will be responsible to submit the relevant receipt documentation to Transit for the construction of receipt vouchers and the submission of source documents for payment and accounting purposes.

7.2.2 Transit must be an independent section, performing specific functions on behalf of the municipality where use is made of formal stores. It would consist of a designated area where goods will be stored whilst in the process of completion of receipt/issue documentation for goods destined for, or leaving the municipality.

7.3 TRANSIT FUNCTIONS

7.3.1 The functions for transit are as follows:

7.3.1.1 The receipt and management of contracts.
7.3.1.2 Reporting of all discrepancies in terms of late delivery, incorrect quantities and quality.
7.3.1.3 The recording and maintenance of expected delivery dates in a diary as specified in contracts.
7.3.1.4 Initial receipt and inspection of goods in terms of quantities.
7.3.1.5 Inspection of goods in terms of contract specifications (use must also be made of specialists in the event of specialised items such as computers, vehicles or equipment).
7.3.1.6 Management of loss control processes in the event of damaged goods or short receipt. This must include claims against suppliers or carriers.
7.3.1.7 Submission of payment documentation.
7.3.1.8 Maintenance of accounting documentation (receipt and issue vouchers) and registers as prescribed.
7.3.1.9 Safekeeping of goods whilst in transit.
7.3.1.10 Proper packing and preservation.
7.3.1.11 Internal and external distribution of goods.
7.3.1.12 Control over stores moving equipment such as forklifts and vehicles.

8 STORES/WAREHOUSE MANAGEMENT

POLICY

- Store management must at all times take place in accordance with this procedure manual.
Hazardous material such as explosives, flammable items and oxidising items must be separated from other items to eliminate the possibility of damage.

BIN maintenance should be done and the ledgers updated accordingly.

All containers (holders) in respect of which a refundable deposit has been paid must be accounted for.

All poison containers, full, partially full or empty must be clearly labelled.

Products requiring special security precautions should be properly safeguarded against pilferage.

8.1 Store management must at all times take place in accordance with this procedure manual.

8.2 GENERAL MANAGEMENT OF A STORE/WAREHOUSE

8.2.1 The role of a store in the logistics system is as follows:

8.2.1.1 Consolidation of transportation

The store can fulfill a major role in the consolidation of smaller shipments into one large shipment, resulting in significant savings on cost of transport.

8.2.1.2 Mixing

Stores can perform product mixing for different chief users.

8.2.1.3 Service

The availability of goods in a store when receiving orders will invariably result in chief user satisfaction.

8.2.1.4 Contingencies

Another role performed by stores is to safeguard against contingencies of various natures e.g. delays in transport, stock outs, strikes, etc.

8.2.2 Stores layout and design

8.2.2.1 Space

The first step in determining storing space requirements is to forecast the demand for products. The next step is to convert the units into cubic meter requirements. Additional space will be needed for the following:

- Space required for the receiving and shipping of goods.
- Area to be used for the selection of goods for an order and the assembling thereof.
- Area in which to salvage undamaged parts of damaged cartons.
- Office space required for administrative and clerical staff.
- Miscellaneous space requirements for rest rooms, utilities and locker rooms.
- Space needed for aisles.

8.2.2.2 Layout principles

Uses of one story facilities are recommended if possible.

A straight line movement plan or direct flow of goods into and out of the store is recommended.

The use of efficient materials handling equipment is essential.

Make use of an effective storage plan.

Keep aisle space to a minimum.

Make maximum use of the height of the building.
8.2.2.3 General guidelines on the protection aspects of goods

- Hazardous material such as explosives, flammable items and oxidising items must be separated from other items to eliminate the possibility of damage.
- Products requiring special security precautions must be properly safeguarded against pilferage.
- Items requiring physical supervision such as refrigeration, heat, etc. must be properly accommodated according to their specific requirements.
- Lightweight or fragile items should be treated with all necessary precaution especially when stored or stocked near other items that could cause them damage.

8.2.2.4 Efficiency

- Items with a fast turnover should be stored in the most accessible areas.
- Large and bulky items which are difficult to handle may be stored near the shipping area to minimise handling time.
- If the load size is large compared to order size the commodity should be stored close to the shipping area to minimise handling.
- Specified floor loads should not be exceeded.
- Employ well trained personnel.
- Sufficient ventilation and lighting are essential.

8.3 OPERATIONAL ASPECTS IN A STORE/WAREHOUSE

8.3.1 The basic store operations consist of movement and storage.

8.3.1.1 Movement can be divided into four (4) distinct operations:

- To take delivery of goods from transit.
- Transfer of goods to a specific location.
- Combination of specific goods on order.
- Shipment of goods to chief user.

8.3.1.2 The period of time of storage depends on the demands of the chief user.

8.3.2 Receiving stores

8.3.2.1 Receive stores with receipt voucher from transit.

8.3.2.2 Mark item with municipal ownership mark and place in bin or bin area.

8.3.2.3 The bin maintenance must be done and the ledgers updated accordingly.

8.3.3 Issuing of stores

8.3.3.1 The effective issuing of stores can only take place if a properly completed and approved requisition is submitted.

8.3.3.2 An issue voucher is printed at the store.

8.3.4 Marking of municipality property

8.3.4.1 All A-class accountable stores and equipment must be marked with the municipal property mark before being issued and leave the store.
8.3.4.2 Upon disposal the municipal ownership mark must be cancelled.
8.3.4.3 Stock that may be damaged by the marking process should not be marked and the case should be referred to the supply chain manager for a decision. Items that can be marked should not be marked in such a way as to shorten its durability or to render it unsightly.
8.3.4.4 The municipal ownership mark must be applied in such a way as to make erasure thereof difficult.

8.3.5 Stacking
8.3.5.1 A suitably qualified person should supervise all stacking.

8.3.6 Fire fighting
8.3.6.1 Fire safety precautions include all precautionary measures taken in order to protect lives, preserve property and to prevent, locate and extinguish fires.

8.3.7 Control of store keys
8.3.7.1 Duplicate keys should be readily available.
8.3.7.2 Duties and powers must be delegated in writing.

8.3.8 Store types
8.3.8.1 Inflammable stores must be stored so as not to endanger life and/or property.
8.3.8.2 Stores of a dangerous nature must be stored apart from other stores and separately and out of reach of unauthorised persons.

8.3.9 Containers
8.3.9.1 All containers (holders) in respect of which a refundable deposit has been paid must be accounted for.
8.3.9.2 The accounting officer may authorise that any type of container or bag (plastic bags excluded) may be taken on charge, provided that it can be refunded or that it has a resale value.
8.3.9.3 All poison containers, full, partially full or empty must be clearly labelled. Empty poison containers must be destroyed unless required for further issues of a similar type of poison.

10 CHANNELS OF DISTRIBUTION
10.1 Goods must be physically moved or transported between the place they are produced and the place they are consumed. Channels of distribution develop when many exchanges take place between suppliers and consumers.
10.2 The objective is to obtain optimum performance of the distribution channel at minimum total cost. In order to be successful, the supply chain manager must select the appropriate channel structure, choose the intermediaries to be used and establish procedures regarding channel members (i.e. organisational units responsible for warehousing, transport, etc.) and devise information and control systems to ensure that performance objectives are met.
10.3 The advantages of a channel of distribution are:
10.3.1 Intermediaries (i.e. transit, stores) evolve in the process of exchange because they can increase the efficiency of the distribution channel by creating time, place and possession benefit to the end user (i.e. at the right time and right place).

10.3.2 Intermediaries enable the adjustment of the discrepancy of assortments demanded by the end user, by performing the following functions:

10.3.2.1 Breaking down a heterogeneous supply into separate stocks that are relatively homogeneous.

10.3.2.2 Bringing similar stocks together into a larger homogeneous supply.

10.3.2.3 Breaking a homogeneous supply down into smaller and smaller parts.

10.3.2.4 Building up the assortment of products.

10.3.3 The cost of distribution can be minimised if transactions are routine. Channel cooperation and efficiency are improved by the routine handling of transaction.

10.3.4 Intermediaries reduces some or all of the following costs:

10.3.4.1 Transportation costs (fewer but larger volume shipments).

10.3.4.2 Inventory carrying costs.

10.3.4.3 Storage costs.

10.3.4.4 Order processing costs.

### 11 CONTRACT ADMINISTRATION

#### 11.1 MANAGING THE CONTRACT

11.1.1 The Accounting Officer must take all reasonable steps to ensure that a contract or agreement procured through the SCM policy of City of Matlosana is properly enforced.

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

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

#### 11.2 CONTRACT MONITORING

11.2.1 The Accounting Officer must monitor, on a monthly basis, the performance of the contractor under the contract or agreement.

11.2.2 The Accounting officer must regularly report to the Council on the management of the contract or agreement and the performance of the contractor.

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

11.2.4 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.

11.2.5 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.

11.2.6 Regular meetings with contractors to discuss progress, deliverables, foreseeable problems and/or amendments must be held during the contract period.
11.3 TRADEMARK/BRAND NAME
11.3.1 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.

11.4 NON-CONTRACTUAL PURCHASES
11.4.1 Small quantities of supplies or minor services may be procured outside of the contract in the following circumstances:
11.4.1.1 In cases of emergency; or
11.4.1.2 When the contractor's point of supply is not situated at or near the place where the supply or service is required; or
11.4.1.3 If the contractor's supplies or services are not readily available.
11.4.2 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.
11.4.3 Acquisitioning procedures must in all instances be followed when procuring outside of existing contracts.

11.5 OVER-/UNDER DELIVERIES
11.5.1 Over- and under-deliveries may be accepted in accordance with the Accounting Officer's delegated powers.

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

11.7 LATE DELIVERIES
11.7.1 The GCC states that delivery of supplies shall be made in accordance with the conditions specified in the contract.
11.7.2 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.
11.7.3 On the other hand, contractors must not 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.

12 MAINTENANCE

✔ Maintenance plans are dynamic and must be reviewed regularly to ensure they remain appropriate to programme delivery needs.

12.1 If no maintenance contract is available quotations may be used to maintain assets.
12.2 When workshops repairs are required by the municipality the SCM Unit must arrange it with the relevant service providers.
12.3 Before an item is sent to a workshop (service provider) for repair, transport costs to and from must be taken into consideration. In some cases it can prove more economical to have the item repaired locally, than to transport it over a long distance at high cost.

12.4 Factors that must be taken into consideration when deciding on repairs, are as follows:

12.4.1 The cost involved (repair and transport cost).

12.4.2 Compare the cost involved with the purchase price of a new item.

12.4.3 The future serviceability of the repaired item.

12.5 If, after due consideration of the above factors it appears that the item is beyond economical repair (BER), (i.e. it would be more economical to replace the item with a new one). The old item must not be repaired. The factors must be carefully evaluated before a decision is made, in order to avoid fruitless expenditure.

12.6 All repair work that cannot be undertaken within a region, must be regarded as external work that must be carried out outside the region.

12.7 The external requisition form is kept by the workshop manager and as soon as the items are required, serves as an authority for the repair thereof. The items are issued to the workshop by means of an external issue voucher.

12.8 As far as possible, casual transport must be used to send reparable items to the workshop.

12.9 After the repair work has been completed, the items are sent back to the point of origin and must be accounted for by completing an external receipt voucher.

12.10 Additional requirements for external suppliers of services and repairs:

12.10.1 Repair workshops should be fully equipped for the type of work that it intends to perform. These workshops will be subjected to frequent inspections by workshop managers.

12.10.2 The workshop manager will ensure that the supplier has the required qualified personnel in his employ to perform the work quoted for.

12.10.3 Proof should be submitted of Liability Insurance and acceptable warrantees must be offered on work performed.

12.10.4 Safe workshop practices should be maintained and the OHS Act should be complied with.

12.10.5 The Manager: Mechanical Workshops would inspect premises frequently at any reasonable time to insure acceptable standards of work.

12.10.6 A Workshop Manager, Foreman or Inspector will inspect work to be performed after stripping has taken place in order to approve work to be quoted upon. Spares to be replaced should be marked for later identification. Conformation to proceed with work will be done on a fax after a faxed quotation has been received from the supplier. Work should not commence before conformation has been received. All scrapped spares replace and marked during quotation will be sent back to the workshops at delivery where it will be reconciled with the order.

12.10.7 No work will commence on any vehicle or equipment without requisition stating, “Strip, quote and wait for official order from workshop before repair.”
12.10.8 Supplier should have a facility to strip vehicles or equipment, as he would also have to re-assemble the vehicle or equipment in order to carry the full guarantee for work done and hence avoid blame if failure should happen.

12.10.9 Suppliers will accept that stripping and quotation will be subject to “no cost” to City of Matlosana if the quote received is followed with an order to repair. In the instance that the quote is not accepted and order given to another supplier, the first supplier who stripped the vehicle or equipment will be entitled to a strip and quote order from CITY OF MATLOSANA.

12.10.10 Suppliers must ensure that vehicles and equipment are secured at all times.

12.11 Requisitions for spares and repairs
12.11.1 Requisitions to be completed by the Workshop Manager, Foreman or Inspector, for all purchases, whether it be spare parts or repairs done by outside suppliers after ensuring that parts and repairs are needed. Authorized requisitions to be handed back to the store manager or delegated person who would place the order on the accounting system.

12.12 Orders for spares or repairs
12.12.1 All orders to be generated by a stores controller/clerk or delegated person. All orders to be authorized according to delegated authority.

12.12.2 The store manager should place all orders with suppliers as per the following procedure:
12.12.2.1 Quotations and general information for spares Where 3 (three) or more quotations are required, one of the quotations should be from the agents in order to be used as a competitive quote. All quotations are to be faxed to prove intent to deliver. The faxes should indicate immediate availability of spares, fixed price including VAT, description and manufactures name. Any deviation from the original spares should be stipulated on quotation.
12.12.2.2 All quotations are to be attached to the delivery note and tax invoice. Reasons why it was decided to purchase from a specific supplier must be recorded on the documentation to make it easier for auditors to monitor and proof rotational purchasing from the database.

12.13 Quotations for spares
12.13.1 R 1 to R 1 000 (VAT included) one written Quotation
12.13.1.1 Petty cash procedure
12.13.2 R4500 to R 30 000
(VAT included) one written quotation
12.13.2.1 At least three written or verbal quotations are required, of which one will be from the agents. Lowest quote from the database will be accepted on a rotational basis, provided that the parts could be supplied immediately or within an acceptable time limit.

Non-stock items will require the authorization of the Workshop Manager to purchase.
12.13.3 R 30 001 to R 200 000 (VAT included)
12.13.3.1 Three written price quotation spare required, of which one will be from the agents. Lowest quote from
the database will be accepted on a rotational basis, provided that the parts could be supplied immediately or
within an acceptable time limit. Non-stock items will require the authorization of the Director to purchase
12.14 Quotations for external repairs
12.14.1 All repairs done by outside contractors, suppliers or companies e.g.:
12.14.1.2 Gearbox overhauls
12.14.1.3 Radiators
12.14.1.4 Prop shaft repairs
12.14.1.5 Panel beating and spray painting
12.14.1.6 Clutches
12.14.1.7 Normal brakes
12.14.1.8 Air brakes
12.14.1.9 CFO'S
12.14.1.10 Load testing certificates
12.14.1.11 Hydraulic repairs
12.14.1.12 Auto electrical repairs (Starters, alternators, wiring, etc.)
12.14.1.13 Body rebuilds
12.14.2 The order should read: “Strip, quote and wait for inspection and confirmation before repairs”.
12.14.3 Work will be rotated between suppliers approved for specific specialized jobs on the database. Where
decisions are taken not to carry out the repairs as originally anticipated due to shortage of funds or other reasons,
the vehicle or equipment will be secured and all spares retained till further notice. Whenever it is decided not to
proceed with repairs, the vehicle or equipment will be removed with all spares back to the relevant service
delivery centre mechanical workshop.
12.14.4 A monthly report should be provided to the cluster head for perusal as proof that rotation between
suppliers is taking place.
12.15 Bid
12.15.1 For purchases of more than R 200 000 falling in the ambit of fleet management and mechanical
engineering the standard bid procedures should be followed with specifications and recommendations prepared
by fleet management for the cluster head who would present it to the Assistant Director; Supply Chain
management for approval after which it will be presented to the bid adjudication committee for adjudication.
12.16 Specifications
12.16.1 The Fleet Manager will compile specifications for all new fleet, plant and equipment after consultation
with the relevant departments to establish exactly what the function and application for the vehicle or plant would
be. For capital purchases this will ensure that the correct fleet, plan and equipment will be purchased which will
adhere to the prescribed safety regulations of the OHS Act and in the case of vehicles to the regulations of the Road Traffic Act.

12.17 Invoices and payments
12.17.1 The Workshop Manager must certify invoices for payment. Invoices must be attached to copy of the order, delivery note and quotation before sending to the Department Financial Services for payment. The Department Financial Services will pay on 30 days after invoice or as they may decide. In exceptional cases only, by special arrangement, the bill will be settled sooner with the necessary discounts taken.

24 THE RECORD KEEPING, REPORTING AND PERFORMANCE MEASUREMENT SYSTEM

1 INTRODUCTION

1.1 DEFINING PERFORMANCE MANAGEMENT
1.1.1 Performance management is a pro-active and re-active (retrospective) process of determining whether objectives and the broader government and Municipality strategic and operational goals are being met. As such it serves as a management tool.

1.1.2 Since the SCM System is an integral part in achieving these objectives, it is necessary that recording, reporting and performance measurement regarding the SCM system must take place. It is therefore essential that the Municipality must establish a system as illustrated and explained in more detail hereunder:

1.1.3 Gathering of information/determining criteria
1.1.3.1 In terms of legislation, various role players have determined that they require certain information so as to determine the implementation and progress made by institutions regarding the SCM system. The Municipality is therefore compelled to ensure the continuous gathering and recording of this information to satisfy the requirement. In certain cases, the criteria to be used in determining progress must be compiled and updated at regular intervals. Steps must then be taken within Municipality to ensure that this system is implemented.

1.1.4 Management Information
1.1.4.1 From the gathered information the prescribed external and internal management reports must be compiled and distributed.

1.1.5 Performance Measurement
1.1.5.1 The SCM Unit is responsible to measure City of Matlosana’s progress regarding the achievement of the goals by using the pre-determined criteria. The results of this measurement must then be included in external and internal reports as prescribed.

2 RECORD KEEPING

2.1 ACHIEVING OF PREDETERMINED TARGETS
2.1.1 City of Matlosana must gather as much information as possible on a continuous basis to adapt to the changing environment and Government's reporting requirements pertaining to SCM.
2.1.2 Keeping complete records pertaining to SCM will assist Municipality in their performance monitoring and reporting role.
2.1.3 Apart from records, Municipality should also maintain a proper filing system per case.

2.2 RECORD KEEPING STRUCTURE
2.2.1 The necessary information, to satisfy the internal and external reporting requirements, must be kept in an orderly manner. The gathering of information and recording system must provide for the type of information required, deadlines and the allocation of duties and responsibilities.
2.2.2 Please note that record keeping does not replace the normal filing system that contains the hard copy of each case.
2.2.3 The necessary records may be maintained either manually or electronically and does not have to be a formal register. As such a list or spreadsheet will suffice. Information may be incorporated into a single record where possible. The consolidation of the required returns and forwarding thereof must be allocated to the responsible person or section.

2.3 RECORDS TO BE KEPT
2.3.1 Record of written quotations and formal written quotations
2.3.1.1 Verbal and written quotations:
2.3.1.2 Date of the request received by the SCM Unit.
2.3.1.3 Particulars of end-user, contact person and telephone number.
2.3.1.4 Registration number of the provider where applicable.
2.3.1.5 Names and contact details of accredited prospective providers contacted.
2.3.1.6 BEE categorisation status and HDI status
2.3.1.7 Price of quotes received.
2.3.1.8 Name of the successful provider.
2.3.1.9 Date of approval and the name and rank of the person/s that granted the approval.
2.3.1.10 Delegation number, if applicable.
2.3.1.11 Satisfactory/non-satisfactory completion of the service or delivery of the goods.
2.3.1.12 Rotation indicator on list of accredited prospective providers.
2.3.1.13 All inscriptions must be numbered.

2.3.2 Formal written price quotations
2.3.2.1 Date of the request received by the SCM Unit.
2.3.2.2 Particulars of end-user, contact person and telephone number.
2.3.2.3 Requisition number.
2.3.2.4 Description of the requirement.
2.3.2.5 Estimated value of the requirement.
2.3.2.6 Registration number of the provider where applicable.
2.3.2.7 Names and contact details of accredited prospective providers contacted.
2.3.2.8 BEE categorisation status and HDI status.
2.3.2.9 Price of quotes received.
2.3.2.10 HDI equity points, points for goals, points for price and functionality must be indicated separately.
2.3.2.11 Total points scored.
2.3.2.12 Name of the successful provider.
2.3.2.13 Tax clearance certificate.
2.3.2.14 Date of approval and the name and rank of the persons/body that granted the approval.
2.3.2.15 Delegation number.
2.3.2.16 Satisfactory/non-satisfactory completion of the service or delivery of the supply.
2.3.2.17 Rotation indicator on list of accredited prospective providers.
2.3.2.18 All inscriptions must be numbered.

2.3.2 List of bid documents issued
2.3.2.1 Bid reference number.
2.3.2.2 Names and addresses of prospective bidders that requested documentation.
2.3.2.3 All inscriptions must be numbered.

2.3.3 Record of ad hoc bids
2.3.3.1 Bid number.
2.3.3.2 Description of the requirement.
2.3.3.3 Names of bidders received.
2.3.3.4 Particulars of end-user, contact person and telephone number.
2.3.3.5 Date of advertisement.
2.3.3.6 Date of advertisement for the extension of the closing date.
2.3.3.7 Closing date.
2.3.3.8 Extended closing date.
2.3.3.9 Validity period.
2.3.3.10 Extended validity period.
2.3.3.11 Total number of bids received.
2.3.3.12 Late bids received, where applicable.
2.3.3.13 Name of successful bidder.
2.3.3.14 Tax clearance certificate.
2.3.3.15 Price of the successful bid.
2.3.3.16 Points of the successful bid, received for price, functionality, equity and goals are to be indicated separately.
2.3.3.17 HDI status.
2.3.3.18 Total points scored by the successful bidder.
2.3.3.19 Date of approval and the name of the body that granted the approval.
2.3.3.20 Delegation number, if applicable.
2.3.3.21 Date contract form is signed.
2.3.3.22 Satisfactory/non-satisfactory completion of the service or delivery of the goods.
2.3.3.23 Cancellation of bid or the cancellation of contracts, where applicable. Particulars must include the reason for the cancellation, the date of approval, the name and rank of the person/body that granted the approval and the delegation number.
2.3.3.24 All inscriptions must be numbered.

2.3.4 Record of Specific Term Contracts
2.3.4.1 Bid number.
2.3.4.2 Description of the requirement.
2.3.4.3 Names of bidders received.
2.3.4.4 Contract term.
2.3.4.5 Particulars of end-user, contact person and telephone number.
2.3.4.6 Date of advertisement.
2.3.4.7 Date of advertisement for the extension of the closing date.
2.3.4.8 Closing date.
2.3.4.9 Extended closing date.
2.3.4.10 Validity period.
2.3.4.11 Extended validity period.
2.3.4.12 Total of bids received.
2.3.4.13 Late bids received, where applicable.
2.3.4.14 Name of successful bidder.
2.3.4.15 Tax clearance certificate.
2.3.4.16 Price of the successful bid.
2.3.4.17 Points of the successful bid, received for price, functionality, equity and goals are to be indicated separately.
2.3.4.18 HDI status.
2.3.4.19 Total points scored by the successful bidder.
2.3.4.20 Date of approval and the name of the body that granted the approval.
2.3.4.21 Delegation/Resolution number.
2.3.4.22 Date of contract form signed.
2.3.4.23 Satisfactory/non-satisfactory completion of the service or delivery of the goods.
2.3.4.24 Cancellation of bid or the cancellation of contracts, where applicable. Particulars are to include the reason for the cancellation, the date of approval, the name and rank of the person/body that granted the approval and the delegation number.
2.3.4.25 All inscriptions must be numbered.

2.3.5 Record of deviation processes

2.3.5.1 Record of urgency and emergency procurement

2.3.5.1.1 Reference number.
2.3.5.1.2 Description.
2.3.5.1.3 Nature and the details of the urgency or emergency process followed.
2.3.5.1.4 Particulars of person or body that granted the approval.
2.3.5.1.5 Date of approval.
2.3.5.1.6 Delegation number.
2.3.5.1.7 Financial implication.
2.3.5.1.8 All inscriptions must be numbered.

2.3.5.2 All other deviation processes

2.3.5.2.1 Details of the deviation
2.3.5.2.2 Reasons therefore.

2.3.6 Record of complaints received from bidders or contractors

2.3.6.1 Date of complaint received.
2.3.6.2 Name of company or person complaining.
2.3.6.3 Reference of bid number.
2.3.6.4 Description.
2.3.6.5 Details of complaint.
2.3.6.6 Action taken including the relevant dates.
2.3.6.7 Date of finalisation.
2.3.6.8 All inscriptions must be numbered.

2.3.7 Record of declaration of interest

2.3.7.1 Name of official or member that has an interest to declare.
2.3.7.2 Nature of the interest declared.

2.3.8 Record of gifts received
2.3.8.1 Name of official that received the gift.
2.3.8.2 Description of the gift.
2.3.8.3 Estimated value of the gift.
2.3.8.4 Name of person or organisation that presented the gift.
2.3.8.5 Pages must be numbered.
2.3.8.6 This record must preferably be in hard copy format.

2.3.9 Record of instances of fraud or corruption
2.3.9.1 This record reflects the instances of fraud or corruption that occurred including fraud or corruption by government officials, prospective providers, contractors or any other legal person/entity. This record will reflect all actions taken in this regard which may include the involvement of the South African Police Service.

2.3.10 Record of irregular, fruitless and wasteful expenditure
2.3.10.1 Date of request received.
2.3.10.2 Description.
2.3.10.3 Particulars of end-user, contact person and telephone number.
2.3.10.4 Details of irregular, fruitless and wasteful expenditure.
2.3.10.5 Action taken.
2.3.10.6 Date finalised.
2.3.10.7 Financial implication.
2.3.10.8 All inscriptions must be numbered.

2.3.11 Record of circulars distributed within Municipality
2.3.11.1 Circular number.
2.3.11.2 Description.
2.3.11.3 Date on which the circular was distributed to end-users.
2.3.11.4 Date of confirmation of receipt of the circular.
2.3.11.5 All inscriptions must be numbered.

2.4 Please note that the keeping of records should not be a cumbersome process, but is a tool to be used by Municipality as needed. Where possible, as much information pertaining to several records may be contained in one record.

3 AD HOC REPORTING OBLIGATIONS

<table>
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<tr>
<th>POLICY</th>
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<tr>
<td>o The Accounting Officer of Municipality must submit to the, National Treasury, the Provincial Treasury, and the Department for Local Government in the Province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.</td>
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3.1 If the Accounting Officer is unable to comply with any of the responsibilities in terms of the MFMA, he or she must promptly report the inability, together with reasons, to the Council.

3.2 The Accounting Officer of Municipality must report any deviations between this SCM Manual and the guideline standard to the Council, National Treasury and the Provincial Treasury.

3.3 If City of Matlosana procures goods or services as contemplated in section 110(2) of the MFMA, they must make public the fact that it procures such goods or services otherwise than through its supply chain management system, including:

3.3.1 The kind of goods or service.

3.3.2 The name of the supplier.

3.4 If a bid other than the one recommended in the normal course of implementing the SCM policy is approved, the Accounting Officer must within 10 working days, in writing, notify the Auditor-General, Provincial Treasury, the National Treasury, of the reasons for deviating from such recommendation.

3.5 If the Municipality disagrees with comments from SITA in terms of MFMA Regulation 31(4), the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, Provincial Treasury and the Auditor-General.

3.6 The Accounting Officer must record the reasons for any deviations from the procurement processes and report it to the next meeting of the Council.

3.7 If the Municipality decides to consider an unsolicited bid, the Municipality must make its decision public and once City of Matlosana has received written comments on this issue, it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the Provincial Treasury for comment.

3.7.1 If any recommendation of the National Treasury or the Provincial Treasury is rejected, the Accounting Officer must submit within seven days, to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejection or not following those recommendations.

3.8 The Accounting Officer must inform the National Treasury and the Provincial Treasury in writing of any actions taken in terms of MFMA Regulation 38(1) (b) (ii), (e) or (f) (system abuse, fraud and corruption and contract cancellation).

3.9 Officials or role players must report to the Accounting Officer any alleged irregular conduct in the SCM system which that person may become aware of, including:

3.9.1 Any alleged fraud, corruption, favouritism or unfair conduct.

3.9.2 Any alleged contravention of MFMA regulation 47(1) (gifts/rewards).

3.9.3 Any alleged breach of the code of ethical standards.

3.10 The Accounting Officer must promptly report any alleged contravention of MFMA Regulation 47(1) and (2) to the National Treasury.

3.11 The Accounting Officer must promptly disclose to the National Treasury and Provincial Treasury any sponsorship promised, offered or granted to the Municipality.
3.12 On discovery of any irregular expenditure or any fruitless and wasteful expenditure, the Accounting Officer must inform the Council, who must promptly report, in writing, to the Auditor-General:
3.12.1 Particulars of the expenditure.
3.12.2 Any steps that have been taken:
3.12.2.1 To recover the expenditure.
3.12.2.2 To prevent a recurrence of the expenditure.
3.13 The Council must promptly report to the SAPS any:
3.13.1 Irregular expenditure that may constitute a criminal offence.
3.13.2 Other losses suffered by the Municipality that resulted from suspected criminal conduct.

4 INFORMATION TO BE PLACED ON THE WEBSITE OF CITY OF MATLOSONA
4.1 The Accounting Officer or delegate must publish the entries in the bid register and the bid results on City of Matlosana’s website.
4.2 Any requirements in excess of R30 000 (VAT included), and to be procured by means of formal written price quotations, must be advertised additionally for 7 days on the Municipality website.
4.3 Any invitation to prospective providers to submit bids must also be advertised on City of Matlosana’s website.

5 MONTHLY REPORTING
5.1 The Accounting Officer or delegate must report monthly to the Council of Municipality on the following aspects:
5.1.1 Total procurement spends.
5.1.2 Percentage of total spends directed towards HDI’s against target.
5.1.3 Percentage of total spends directed towards SMME’s against target.
5.1.4 Targeted percentage spends to be directed towards HDI’s and SMME’s.
5.1.5 All declarations of interest must be made to the Council.
5.1.6 Process disputes.
5.1.7 Unsolicited bids considered and accepted with consent of other role players.
5.1.8 The Accounting Officer must, on a monthly basis report to the Council on the management of contracts or agreements and the performance of the relevant contractors.
5.2 An official or Bid Adjudication Committee to which the power to make final awards has been sub-delegated must within five days of the end of each month submit to the official referred to in MFMA Regulation 5(4) a written report containing particulars of each final award made by such official or committee during that month, including:
5.2.1 The amount of the award.
5.2.2 The name of the person to whom the award was made.
5.2.3 The reason why the award was made to that person.
5.3 A written report referred to in MFMA Regulation 5(3) must be submitted:
5.3.1 To the accounting officer, in the case of an award by:
5.3.1.1 The chief financial officer.
5.3.1.2 A Director.
5.3.1.3 A Bid Adjudication Committee of which the chief financial officer or a Strategic Manager is a member.
5.3.2 The chief financial officer or the Strategic Manager responsible for the relevant bid, in the case of an award by:
5.3.2.1 A manager referred to in MFMA Regulation 5(2) (c) (iii).
5.3.2.2 A Bid Adjudication Committee of which the chief financial officer or a Strategic Manager is not a member.
5.4 MFMA Regulation 5(3) and (4) does not apply to procurement out of petty cash.
5.5 Each manager must, however, forward a monthly reconciliation report to the CFO on petty cash purchases detailing at least:
5.5.1 Total amount of petty cash purchases for that specific month.
5.5.2 Receipts and appropriate documents for each purchase.
5.6 If it is not possible to obtain at least three formal written price quotations, the reasons must be recorded and approved by the CFO or an official designated by the CFO. The Accounting Officer or delegate must record the names of the potential providers and their written quotations. The official designated by the CFO must within three days of the end of each month report to the CFO on any approvals given during that month.
5.7 The Accounting Officer or CFO must 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.
5.8 The appointed person who deals with disputes, objections, complaints and queries must submit a report to the Accounting Officer on the status of these issues.

6 QUARTERLY REPORTING
6.1 The Accounting Officer must within 10 days after the end of each quarter submit implementation reports on the SCM policy to the Council.
6.2 If it is not possible to obtain at least 3 written or verbal quotations, the reasons must be recorded and reported to the Accounting Officer or another official designated by the Accounting Officer.

7 ANNUAL REPORTING
7.1 The Accounting Officer must at least annually, within 30 days of the end of the financial year, submit reports on the implementation of the SCM policy as contained in the SCM Manual to the Council.
7.2 The Accounting Officer of the Municipality must at least annually review the implementation of the SCM policy as contained in the SCM Manual, inform the Council of its correctness and applicability and, if necessary; submit proposals for the amendment of the Manual to the Council.
7.3 The notes to the annual financial statements of the Municipality must:
7.3.1 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:
7.3.1.1 The name of that person.
7.3.1.2 The capacity in which that person is in the service of the state.

7.3.1.3 The amount of the award.

7.3.2 Disclose the reasons for any deviations from the procurement processes.

7.3.3 Disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditure that occurred during the financial year and whether these are recoverable.

7.3.4 Disclose particulars of any criminal or disciplinary steps taken as a result of such losses or such irregular or fruitless and wasteful expenditures.

7.3.5 Disclose particulars of non-compliance with the MFMA from a SCM perspective.

8 ASSESSMENT/MEASUREMENT OF SUPPLY CHAIN PERFORMANCE POLICY

City of Matlosana must measure and monitor the SCM policy and process through a performance measurement system to ascertain whether government’s objectives and targets have been achieved. In this regard complete records pertaining to SCM must be kept.

City of Matlosana must monitor and assess the performance of all contractors during the contract period.

8.1 DEFINING SCM PERFORMANCE MEASUREMENT

8.1.1 Supply chain performance is a monitoring process during which a retrospective analysis is undertaken to determine whether the prescribed SCM processes are being followed and whether the desired objectives are in the process of being achieved.

8.1.2 SCM performance can be broken down into two categories of performance measurement:

8.1.2.1 Contractor assessment.

8.1.2.2 Monitoring of the SCM policy and processes followed.

8.2 CONTRACTOR ASSESSMENT

8.2.1 City of Matlosana must ensure that the performance of all contractors is assessed during the period of the contract.

8.2.2 At the completion stage of the project/contract, an assessment of the contractor must be undertaken and this assessment should be available for future reference.

8.2.3 The reliability of the contractor should be monitored in terms of, among others:

8.2.3.1 Capacity and capability to deliver (delivery periods).

8.2.3.2 Quality.

8.2.3.3 Quantity.

8.2.3.4 Attainment of objectives in line with the business case for the specific project.

8.2.4 Other criteria determined by City of Matlosana(such as availability of facilities reliability, flexibility, price, financial stability, response time, technical competence, creativity and innovation) should also be monitored.

8.2.5 Contractors must be systematically monitored for performance against the same criteria as those used in the registration process for the provider list or the criteria set in the specification/terms of reference, where
applicable. In other words was the contractor (chosen from a provider list or a bidding process) able to perform according to the contract conditions.

8.2.6 When contractors do not perform according to the contractual obligations and municipality does not address the matter during the execution of the contract, such non-performance cannot be deemed as sound reasoning for passing over the bid of such supplier/service provider when evaluating future bids.

8.2.7 It is important that all instances of breach of contract and the ensuing actions that were taken must be recorded in a prescribed format so that management information can be extracted for reporting purposes, as required.

8.3 MONITORING OF THE SCM POLICY AND PROCESS

8.3.1 The purpose of reporting is to effectively measure the achievement of government’s procurement objectives and targets set. Therefore the Accounting Officer must determine whether the proper process has been followed and whether the desired objectives and targets have been achieved. City of Matlosana must be able to extract accurate commercial and other relevant information.

8.3.2 The SCM office established in the National Treasury will monitor the implementation and supporting regulations and standards issued by the National Treasury, and the AO of the Municipality.

8.3.3 On approval and finalisation of the alignment of the PPPFA and BBBEE Act and charters, the Accounting Officer should use the national procurement policy charters and targets to set their own short and medium term policy targets at the appropriate contract level, currently in line with the PPPFA.

8.3.4 The use of a common scorecard by the Municipality will provide a basic framework against which to benchmark the same process in different Institutions. The scorecard also allows Institutions to align their own SCM practices and individual strategies. The scorecard facilitates the process of setting measurable targets for implementation plans and to highlight deficiencies to be attended to.

8.3.5 All actions pertaining to the SCM function, with specific reference to the acquisition function, must be recorded continuously in order to:

8.3.5.1 Prove accountability.

8.3.5.2 Gather management information to enable managers to:

8.3.5.2.1 Measure performance in terms of achievement of goals.

8.3.5.2.2 Measure compliance with norms and standards.

8.3.5.2.3 Determine savings generated.

8.3.5.2.4 Determine cost variance per item to indicate the premium paid for promoting preferential objectives.

8.3.5.2.5 Identify any breach of contract.

8.3.5.2.6 Determine cost efficiency of the acquisition process.

8.3.5.2.7 Determine whether SCM objectives are consistent with Government’s broader policy focus.

8.3.5.2.8 That the principles of co-operative governance as expounded in the Constitution are observed.

8.3.5.2.9 That the reduction of regional economic disparities is promoted.

8.3.5.2.10 Stores efficiency.
8.3.5.2.11 Assist managers in their planning and budgeting responsibilities.

CITY OF MATLOBANA

SECTION 25 CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

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

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

1 General Principles

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

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

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

2 Conflict of interest

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

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

(c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
(d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
(e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the City of Matlosana 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;
(f) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
(g) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
(h) should not take improper advantage of their previous office after leaving their official position.

3 Accountability

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

3.2 Practitioners should use public property scrupulously.

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

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

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

3.6 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including

(i) any alleged fraud, corruption, favouritism or unfair conduct;
(ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
(iii) any alleged breach of this code of conduct.

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

4 Openness

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

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

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

6 Bid Specification / Evaluation / Adjudication Committees

6.1 Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the City of Matlosana in an honest, fair, impartial, transparent, cost-effective and accountable manner.

6.2 Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

6.3 All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

6.4 No person should-

6.4.1 interfere with the supply chain management system of the City of Matlosana; or

6.4.2 amend or tamper with any price quotation / bid after its submission.

7 Combative Practices

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

(i) Suggestions to fictitious lower quotations;
(ii) Reference to non-existent competition;
(iii) Exploiting errors in price quotations / bids;
(iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.
SECTION 26 OF MACROBANA

BID ADJUDICATION COMMITTEES

MUNICIPAL SUPPLY CHAIN MANAGEMENT

1 Introduction

These guidelines explain the mandate, role, function, composition, duties, meeting procedures and conduct of Municipal Supply Chain Management (SCM) Bid Adjudication Committees. These guidelines are supplementary to the Code of Conduct required by section 69 of the Municipal Systems Act as well as the Code of Conduct for Supply Chain Management Practitioners and other role players, required by regulation 46 of the
Municipal Supply Chain Management Regulations and issued on 25 August 2005 as part of MFMA Circular number 22.

It is also important to read this guide in conjunction with the “Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities – October 2005” available on the National Treasury website www.treasury.gov.za/mfma/guidelines

Mandate, role and function of the Bid Adjudication Committee

Sections 79 and 106 of the MFMA empower accounting officers to delegate powers or duties to an official to assist the accounting officer in ensuring the achievement of the aims of a specific provision of the MFMA.

Chapter 11 of the MFMA prescribes that municipalities/municipal entities must have and maintain a supply chain management (SCM) system that is fair, equitable, transparent, competitive and cost-effective.

Regulation 26 of the Municipal SCM Regulations stipulates that a municipality’s/municipal entity’s SCM system must provide for a committee system for competitive bids consisting of at least a bid specification, bid evaluation and bid adjudication committee.

Regulation 29 further stipulates that the Bid Adjudication Committee must consider the recommendations/reports of the Bid Evaluation Committee and, depending on the delegated powers, make:

- a final award; or
- a recommendation to the accounting officer to make a final award; or
- another recommendation to the accounting officer on how to proceed with the relevant procurement.

The Bid Adjudication Committee must ensure that:

- all necessary bid documents have been submitted;
- disqualifications are justified and that valid and accountable reasons/motivations were furnished for passing over of bids;
- scoring has been fair, consistent and correctly calculated and applied; and
- declarations of interest have been taken cognizance of.

If a bid other than the one recommended by the Bid Evaluation Committee is approved by the Bid Adjudication Committee, the accounting officer, or a senior official delegated by the accounting officer, must first be notified. The accounting officer, or the delegated official may, after consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee. If the decision of the Bid Adjudication Committee to approve a bid other than the one recommended by the Bid Evaluation Committee is ratified, the Auditor-General, the relevant provincial treasury and the National Treasury and, in the case of a municipal entity, the parent municipality must be notified of the reasons for deviating from such recommendation.

The accounting officer or his/her delegate may at any stage refer any recommendation made by the Bid Evaluation Committee or the Bid Adjudication Committee back to the respective committee for reconsideration.

The Bid Adjudication Committee must also consider and rule on all recommendations/reports regarding the amendment, variation, extension, cancellation or transfer of contracts awarded.
The Bid Adjudication Committee may also, if and when required to do so, consider for approval the recommendations of the Bid Specification Committee in order to ensure that:

- the need forms part of the strategic goals and objectives contained in the municipality's Integrated Development Plan (IDP);
- a proper and unbiased specification is compiled for the specific requirement;
- proper Terms of Reference are drawn up for the service required clearly indicating the scope of the requirement, the ratio between price and functionality, the evaluation criteria as well as their weights and values;
- strategic sourcing principles were applied and that the market was properly researched and analysed (refer to pages 22, 25 and 26 in the Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities - October 2005);
- the necessary funds are available in the approved budget;
- if and when applicable, in addition to the General Conditions of Contract, appropriate Special Requirements and Conditions of Contract are specified;
- the preference point system and appropriate goals are identified and points allocated for these goals, consistent with the requirements of the Preferential Procurement Regulations; and
- where appropriate, ranges have been set (indicating breakdown of the points / percentages as provided for in the relevant sliding scales for the selected specified goals).

In order to meet their obligations, committee members must be familiar with and adhere to all relevant SCM legislation, policy, guides and circulars.

The integrity of supply chain practitioners must never be compromised and the highest level of professional competence must be maintained. Furthermore, courteous conduct is expected of all committee members.

Each member as well as all officials rendering administrative support must sign an Attendance Register and Undertaking of Confidentiality and Impartiality declaration form at each Bid Adjudication Committee meeting (see Appendix 1). Members are to declare that they will:

- accept the confidentiality of the meeting;
- not make known anything regarding the meeting, unless officially authorised; and
- not purposefully favour or prejudice anybody.

3 Composition of the Bid Adjudication Committee and the appointment of members

Bid Adjudication Committees are appointed in writing by the accounting officer and the accounting officer will determine the term of office for members. Such a committee must consist of at least four senior managers constituted as follows:

Chairperson: where possible, the chairperson should be the Chief Financial Officer.

Vice chairperson: the vice-chairperson should be a senior manager (as referred by section 56 of the Municipal Systems Act) or an official who reports directly to a senior manager.

Other Members: the committee should be composed of cross-functional teams comprising senior officials of whom at least one must be a supply chain practitioner. Where considered necessary, additional officials or advisors may be co-opted on account of their
specialised knowledge. Such co-opted officials or advisors may not form part of the final
decision-making process.

Secretariat: an official from the municipality’s / municipal entity’s bid administration section
should be made available to act as secretary, as required.

Quorum: the Bid Adjudication Committee cannot undertake business without a quorum
present, consisting of half plus one of its total membership with voting power (rounded to
the nearest whole number). For example, if there are four members in total, the quorum
required is three members.

Secondee: for the purpose of continuity and not to delay meetings, the accounting officer
may also appoint secondee to temporarily replace members that are absent from meetings
due to illness, leave, etc. The accounting officer will also decide whether or not such
secondee will have the same powers as members.

4 Duties and powers of the various committee members

4.1 Chairperson

The chairperson:

- has a casting vote as well as a deliberate vote;
- retains all his/her rights as a member;
- may adjourn a meeting;
- may rule on points of order which will be final;
- may withdraw any proposal or other matters under discussion before it is put to the
  vote; and
- convene extraordinary committee meetings on request.

The chairperson shall:

- maintain order during a meeting and ensure that business is conducted in an orderly
  manner;
- before opening a meeting, ensure that a quorum is present;
- protect the rights of every member;
- vacate his / her seat to the vice chairperson, should he/she wish to partake in a
  discussion in a partial manner;
- ensure all members have opportunity to speak on any matter before the committee;
- deal with items in sequence of the agenda;
- ensure that members know exactly what they are required to vote on;
- ensure that only one member holds the floor at any one time;
- provide guidance by directing the meeting, but shall not dominate;
- conduct meetings in a formal manner; and
- formulate clearly the decisions to be minuted and sign and approve the minutes after
  they have been verified by the committee as a true and correct record of the meeting.

4.2 Vice-chairperson

The vice-chairperson has the same powers and duties as those of members and in
addition, where necessary, shall –

- in the absence of the chairperson, preside as chairperson; and
take the seat of and act as chairperson, should the chairperson have a conflict of interest in any matter being considered. In the event that both the chairperson and vice-chairperson are absent from a meeting, the members present may elect one of their members to preside at such meeting.

4.3 Secretary

The secretary shall –

➢ in conjunction with the chairperson/ vice chairperson compile an agenda and determine dates of meetings;
➢ give notice of proposed meetings to committee members;
➢ process and distribute all submissions/reports together with the agenda to committee members at least three working days before the actual meeting takes place;
➢ minute all decisions taken at meetings;
➢ adhere strictly to the stipulations of the National Archives of South Africa Act, No. 43 of 1996 and accompanying directives;
➢ ensure that the proceedings at meetings are recorded appropriately (e.g. tape);
➢ give written feedback of all decisions taken by the committee; and
➢ be responsible for all the administrative tasks of the committee.

4.4 Members

Members of the Committee shall –

➢ be fully conversant with the powers and limitations of the committee as well as all directives pertaining to supply chain management, including the relevant sections of the Constitution, Municipal Finance Management Act and accompanying Regulations, Preferential Procurement Policy Framework Act and accompanying Regulations, Broad Based Black Economic Empowerment Act and its related strategy, all directives issued by the National Treasury / relevant provincial treasury as well as the delegated powers issued by the accounting officer and at all times act in accordance with above-mentioned legislation, regulations and procedures;
➢ apply their minds to matters at hand in order to take meaningful and accountable decisions and in the event of doubt or uncertainty, to propose that matters be referred back for clarification;
➢ in advance, furnish a written apology when unable to attend a meeting;
➢ strive to be punctual for meetings and to stay for the duration of a meeting;
➢ prepare properly for each meeting by studying the agenda and submissions/reports;
➢ be familiar with meeting procedures in order to make a contribution in the correct manner; and
➢ refrain from repetition and duplication of contributions by other members.

Members have the right to –

➢ have advance knowledge of the agenda;
➢ submit proposals and participate in proceedings;
➢ vote; and
➢ have a dissenting voice and have the reasons thereof recorded.

4.5 Co-opted members/advisors

Co-opted members/advisors have the same powers and duties as members, excluding the right to vote on any matter under discussion.
Members of the Bid Evaluation Committee may present their recommendations / reports to the Bid Adjudication Committee and clarify any issues but shall not have any voting powers.

5. Meeting procedures

5.1 Notice of meetings

The agenda of a meeting serves as the programme of the meeting and unless the committee decides otherwise, the items and sequence may not be changed during the meeting.

In order to afford members the opportunity to prepare for the meeting, the agenda shall be made available to members at least three working days before the actual meeting.

5.2 Submissions/reports to the Committee

All submissions/reports to the Committee must be in writing, substantiated and channeled through the Bid Specification Committee or Bid Evaluation Committee.

5.3 Minutes

The minutes will be the written record reflecting in a brief, clear and impartial manner the decisions of the committee. The signed minutes will serve as proof of the decisions of the committee.

Should a member wish to have a specific matter other than a decision recorded, it must be specifically requested. A member’s reasons for a dissenting voice must also be recorded.

Proceedings are also recorded (e.g. tape) to enable the secretary to prepare verbatim reports when required by a court of law. Further details on requirements for the recording of meetings can be found in the National Archives of South Africa Act, No. 43 of 1996 and accompanying directives.

5.4 Attendance register and undertaking of confidentiality and impartiality

Members will be required to sign a combined Attendance Register and Undertaking of Confidentiality and Impartiality declaration at each meeting (see Appendix 1). This must be retained and form part of the committee minutes.

5.5 Conflict of interest

Where a member of a Bid Adjudication Committee has a conflict of interest with any item to be considered by the committee, it is imperative that this be recorded in the minutes and the member vacates the meeting room prior to any discussion. An example minute could read as follows:

“[member’s name] declared an interest in the following item and vacated the meeting room at [insert exact time]

Insert minutes of item under discussion showing resolution/decision of the committee accordingly

At the conclusion of the discussion [member’s name] was invited to return to the meeting room at [insert exact time]”

5.6 Gift register
The SCM Regulations stipulate that no official or other role player involved in SCM may accept any gift, reward, favour, hospitality or other benefit promised directly or indirectly, including to any close family member, partner or associate. Furthermore, any official or other role player must declare any gift, reward, favour, hospitality or other benefit promised, offered or granted to that member or to a close family member, partner or associate of that member from suppliers or potential suppliers, irrespective of the value of such a gift.

Each declaration from a member of the committee should be recorded in the minutes of the committee and must be reported to the accounting officer for entry into the register which the accounting officer must keep for this purpose.

Further information on conflict of interest, gifts and the register is provided in regulation 46 of the Municipal Supply Chain Management Regulations.

5.7 Chairperson

Each meeting will be presided over by the chairperson. In the absence of the chairperson, the vice-chairperson will preside as chairperson, in which case he/she will occupy the chair for the duration of the meeting, even if the chairperson should arrive during the course of the meeting.

Every member attending the meeting owes respect to the chairperson and may be removed if that person does not respect the authority of the chair.

5.8 Point of order

A member may speak on a point of order only if he/she is of the opinion that there has been a departure from the rules of order, e.g. an objection against improper language used, that a speaker has transgressed, etc.

6. Conduct of Committee Members

6.1 Rights and responsibilities of committee members

A member's conduct at the meeting must not infringe on the rights of others. The rules of conduct are based on mutual respect for the rights of each other and respect for the purpose of the meeting.

Members must accept that –

- the chairperson must be respected;
- the chairperson has the right to interrupt and ask a member to stop speaking if the address is repetitive or irrelevant to the matter under discussion;
- a member must stop speaking if ruled out of order by the chairperson;
- decisions are taken by general consensus or by a majority show of hands when a matter is decided upon by voting;
- once a decision has been taken it is final and not open for discussion unless additional information which was not available at the time of decision making can be produced;
- information and documentation are confidential;
- a member (including the chairperson or vice-chairperson) shall beforehand declare his/her interest regarding any matter serving before the Committee and the member will then excuse her/himself and vacate the meeting room during the discussion of that
matter. No discussion by the member concerned will be allowed prior to the serving of that submission/report and such a member may not retain that specific submission/report. Any personal interest that may infringe, or might reasonably be deemed to infringe on a member's impartiality in any matter relevant to their duties must be recorded;

- outvoted members must abide by the majority decision of the Committee; and
- no communication should be made with a bidder/contractor by any member prior to or after any meeting.
I, the undersigned, hereby declare:

- that all information, documentation and decisions regarding any matter before the committee are confidential and undertake not to make known anything in this regard
- that I will treat all providers and potential providers equitably and will not purposefully favour or prejudice anybody
- that I will make known details of any private or business interest which I, or any close family member, partner or associate may have in any proposed procurement or disposal process of, or in any award or contract and that I will immediately withdraw from participating in any manner whatsoever

<table>
<thead>
<tr>
<th>NAME</th>
<th>DEPARTMENT / SECTION MUNICIPALITY</th>
<th>SIGNATURE</th>
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Part B

PREFERENTIAL PROCUREMENT POLICY adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations R728 of 10 August 2001

PREAMBLE

WHEREAS the City of Matlosana aims to improve the quality of life of all citizens and to free the potential of each person within a framework of facilitating service delivery, through effective governance; the Council undertakes to take into account the need of transparent procedures that give the effect to the principle of preferential procurement;

AND WHEREAS economic development plays a crucial role in creating a prosperous, equitable, stable and democratic society and the overall national vision of economic development is one of decent work and living standards for all in the context of qualitative improved equality in ownership, skills and access to opportunities;

NOW THEREFORE the City of Matlosana resolves in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 to adopt the following preferential procurement policy for the municipality:

TABLE OF CONTENTS

1. Scope
2. Purpose
3. Objectives
4. Preference Point System
5. Specific Goals of Preferential Procurement
6. Framework for the Adjudication of Bidders
7. Short Title
1. **SCOPE**
This policy applies to all contracts for the provision of goods and services to be awarded by the municipality.

2. **PURPOSE**
The purpose of the policy is to provide a framework within which effect can be given to the principle of preferential procurement, while ensuring that fair, equitable, transparent, competitive and cost effective procurement practices are adhered to:

3. **OBJECTIVES**
The objectives of the Councils' policy are to:
(a) Provide clarity on the municipality's approach to procurement, particularly with regards to requirements of preferential procurement;
(b) Provide access to contracts for historical disadvantaged individuals;
(c) Promote SMME participation;
(d) Promote capacity development and skills transfer;
(e) Promote job creation; and
(f) Create an enabling contractual environment.
(g) **70 percent of the municipal budget to be used to promote historically disadvantaged individuals**

4. **PREFERENCE POINT SYSTEM**
4.1 The City of Matlosana procurement policy is constructed around the Preferential Procurement Policy Framework Act, No. 5 of 2000 and Regulations issued in terms thereof. This Act and Regulations R726 of 10/08/2001 requires that:
(a) A preference point system must be used.
(b) A number of points must be awarded for price.
(c) A number of points must be awarded for achieving specific goals.

4.2 The preference point system awards points as follows:
Figure 1 – Preference Point System

<table>
<thead>
<tr>
<th>Points for price</th>
<th>Bids &lt; R500 000,00</th>
<th>Bids &gt; R500 000,00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>Points for specific goals</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 The specific goals may include:

(a) Contracting with persons historically disadvantaged by unfair discrimination on the basis of:
   - Race
   - Gender
   - Disability

(b) Implementing the programmes of the RDP such as:
   - Meeting basic needs
   - Development of Human Resources
   - Building the Economy
   - Democratizing the State and Society

4.4 Specific goals to be used must be clearly specific in the invitation to submit a bid. These goals must be measurable and quantifiable, and must be monitored for compliance.

5. SPECIFIC GOALS OF PREFERENTIAL PROCUREMENT FOR CITY OF MATLOSANA

5.1 General requirements

(a) Any specific goal required for consideration in the bidding process must be clearly determined by the Bid Specification Committee and be defined in the bid documentation, taking into account prescription of the Constitution Industry Development Board [CIDB] in respect of construction contracts.

(b) A bidder must meet the requirements of all specific goals in order to qualify for the maximum amount of points allocated for specific goals.

(c) Outputs required to meet the specific goals will be quantified and will form part of the contractual arrangement upon awarding of the contract.
5.2 HDI Ownership

(a) Bidders reflecting an ownership by historically disadvantaged individuals will be given preference points.

b) Benefits associated to HDI equity ownership may only be claimed in respect of individuals who are actively involved in the management and daily business of the enterprise, share in the profits of the enterprise, and exercise control over the enterprise, commensurate with their degree of ownership. Where individuals are not actively involved in the management and daily business operations and do not share in the profits and exercise control over the enterprise commensurate with their degree of ownership, benefits associated with equity ownership may not be claimed.

d) Should it become evident with the evaluation and monitoring of HDI equity ownership refer to in 5.2[a] above, that it is not being applied or HDI companies have been used as “Fronts,” those companies will be disqualified and other penalties may be imposed in terms of Regulation 15 of the PPP Regulations.

5.3 SMME status

Bidders that reflect SMME status, according to the criteria outlined for each sector and sub-sector of the economy will be given preference which will include the right to cede acquisition of construction material to the supplier.

The Bid Specification Committee must determine if Multiple SMME’s can be appointed for any project with the threshold value of up to R2million with one project manager appointed to monitor and evaluate the performance of the SMME’s and report to the Municipality, the committee must assess if it will be practical and possible to execute the project.

5.4 Use of sub-contractors

Preference will be given to bidders that sub-contract work with enterprises that has HDI equity ownership.

5.5 Job creation

Bidders that are able to employ labour intensive work methods (where appropriate) will be given preference.

5.6 Local content

Local content of products, staff, materials and management of companies based in Matlosana.
5.7 Capacity development

Where practically possible, bid documents must be prepared in such a way as to reflect a commitment to capacity development and skills transfers. The municipality may develop a holistic framework for addressing capacity development and skills transfer and review it on an annual basis. The following should be included in the framework:

(a) Municipal Officials
   - Assessment mechanisms to be used to identify the needs.
   - Approach to address needs (of-site training, on-the-job training, mentorships etc.).
   - Assessments mechanisms to address progress.

(b) Affected Community
   - Assessment mechanisms to be used to identify the needs.
   - Approach to address needs (consultative workshops etc.).
   - Assessments mechanisms to address progress.

(c) HDI Partner
   - Assessment mechanisms to be used to identify the needs.
   - Approach to address needs (of-site training, on-the-job training, mentorships etc.).
   - Assessments mechanisms to address progress.

Particular specifications included in the bid document will make provision for capacity development and skill transfer in terms of this procurement process.

5.8 Community empowerment

Bid documents should be prepared in such a way, as to reflect a commitment to community empowerment. The municipality’s policy and strategy in this regard must be adhered to.

(a) The municipality may define its objectives, in relation to community empowerment, in the procurement process.
(b) The municipality may define its understanding of the community, including the following aspects:

- Geographical community: (for example)
  - Residents of the City of Matlosana
  - Residents of specific areas within the City of Matlosana
- Ethnic/cultural/religious community
- Community of interest (for example)
  - Women
  - Small business owners
  - Industry sector representatives etc.

(c) With regards to each contract, the municipality may define the community in its targeting and the empowerment objectives that it wishes to achieve.

(d) Particular specifications included in the bid document will make procurement process.

5.9 Youth Development

Companies that address promoting youth development by partnering with youth companies or incorporating them as shareholders will be given preference.

5.9.1 The following points are allocated for specific goals approved by the City of Matlosana:

Figure 2 – Points allocated for specific procurement goals

For the purpose of promoting local HDI’s, local in the 80/20 system shall mean the area where the project will be done or service to be provided

<table>
<thead>
<tr>
<th>Specific goals proposed</th>
<th>Points allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting enterprises wholly or partially owned by previous disadvantaged people. (People disadvantaged by the previous dispensation due to race or other discriminatory factors)</td>
<td>0.5</td>
</tr>
<tr>
<td>Contracting with enterprises wholly or partially owned by female (disadvantaged by the previous dispensation due to gender)</td>
<td>0.5</td>
</tr>
<tr>
<td>Contracting with enterprises wholly or partially owned by disabled people</td>
<td>0.5</td>
</tr>
<tr>
<td>Local Companies/ service providers</td>
<td>TOTAL HDI All</td>
</tr>
<tr>
<td>10 8 2</td>
<td></td>
</tr>
<tr>
<td>Local youth within matlosana</td>
<td>TOTAL HDI</td>
</tr>
</tbody>
</table>
For the 80/20 system the following rule shall apply:-

The scale must be used where one shareholder or director of the company is also a shareholder or director in a company owned by the shareholder or director residing in other place/s than where the project will be done and per percentage owned by the shareholder or director of the company in that specific area of the project.

For the purpose of promoting local Historically Disadvantaged Individual, specifically where the project or service will take place the following sliding scale will apply:-

<table>
<thead>
<tr>
<th>Adults</th>
<th>Youth</th>
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</thead>
<tbody>
<tr>
<td>Percentage / %</td>
<td>Points</td>
</tr>
<tr>
<td>1 to 25</td>
<td>3</td>
</tr>
<tr>
<td>26 to 50</td>
<td>6</td>
</tr>
<tr>
<td>51 to 75</td>
<td>8</td>
</tr>
<tr>
<td>+ 76</td>
<td>10</td>
</tr>
</tbody>
</table>

5.9.2 For the 90/10 the following rule must be applied:-

Figure. 3

<table>
<thead>
<tr>
<th>Specific goals proposed</th>
<th>Points allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting enterprises wholly or partially owned by previous disadvantaged people. (People disadvantaged by the previous dispensation due to race or other discriminatory factors)</td>
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<td>0.5</td>
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<tr>
<td>Local Companies/ service providers</td>
<td>HDI</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
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<td></td>
<td>6</td>
</tr>
<tr>
<td>Local youth within matlosana</td>
<td>HDI</td>
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<td></td>
<td>2</td>
</tr>
</tbody>
</table>
The scale must be used where one shareholder or director of the company is also a shareholder or director in a company owned by the shareholder or director residing in other place/s than where the project will be done and per percentage owned by the shareholder or director of the company in that specific area of the project.

For the purpose of promoting local Historically Disadvantaged Individual specifically where the project or service will take place the following sliding scale will apply:-

<table>
<thead>
<tr>
<th>Adults</th>
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<tr>
<td>Percentage / %</td>
<td>Points</td>
</tr>
<tr>
<td>1 to 25</td>
<td>2</td>
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<tr>
<td>26 to 50</td>
<td>3</td>
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<tr>
<td>+51</td>
<td>4</td>
</tr>
</tbody>
</table>

5.10 MINIMUM PARTICIPATION REQUIREMENTS

It is noted that Regulation 8[5] of the Preferential Procurement Regulations provides:

“(5) The conditions of bid may stipulate that a bidder must score a specific minimum number of pointes for functionality to qualify for further adjudication.”

5.10. GENERAL PRINCIPLES GOVERNING THE MUNICIPALITY IN ITS INTERACTION WITH BIDDERS

In dealing with bidders bidding for municipal work, the municipality will adhere to the basic principles of:

5.10.1 Efficiency

(a) The Council undertakes to administer the procurement process in the most efficient manner possible, avoiding time delays and duplication of activities.

(b) Where such delays are unavoidable, the Council undertakes to inform all bidders of the nature of the delay and the revised time frames.

5.10.2 Courtesy

All staff members of the municipality will deal with bidders in a courteous and respectful manner.

5.10.3 Transparency
(a) All bid process will be open to the scrutiny of the public and interested parties.
(b) The municipality will take all reasonable steps to ensure that the processes are clearly defined and understandable to all interested parties.

5.10.4 Access to information
The municipality will take reasonable steps to ensure that all bidders have equal access to information on the goods or services to be bid for, as well as the bid process itself.

5.10.5 Fair distribution of work
The municipality will take reasonable steps to make sure that the procurement of goods or services is fairly distributed amongst the service providers. This will be done to avoid the excessive procurement of goods or services from one provider/supplier only.

5.10.6 Competition
The Council will encourage fair competition between suppliers that provide goods and services to it.

5.11 CRITERIA TO EVALUATE TECHNICAL AND FINANCIAL ABILITY
Regardless of the scope and value of the contracts involved, all contracts will be judged on grounds of:

5.11.1 Compliance with bid conditions
(a) Bids submitted on time.
(b) Bid forms signed.
(c) All essential information provided.

5.11.2 Meeting technical specifications and compliance with bid conditions
(a) Where requested in bid documentation, bidders must describe how they will produce the required outputs outlined in the bid documentation in terms of either goods or services.
(b) The ability to produce the required goods or services within the stated time frame may be included as criteria for compliance.

5.11.3 Infrastructure and resources available
Bidders must indicate the extent of infrastructure under their control and resources available to enable them to execute the contract.
5.11.4 **Quality / Durability**
(a) Where requested, bidders must provide evidence that they will be able to adhere to generally accepted levels of quality in the provision of the product or services under consideration.
(b) Where bidders requested must clearly explain their mechanisms for quality assurance and review.

5.11.5 **Size of enterprise and current workload**
(a) Bidders must give an indication of the resources available for the contract they are biding on.
(b) Bidders must give an indication of the number and value of other contracts being undertaken by them at the date of bid, as to enable the municipality to ascertain their ability to execute the contract.

5.11.6 **Staffing profile**
(a) Bidders must indicate the number of fulltime employees employed by the company in South Africa at the time of bidding. Such information must include a breakdown in terms of race and gender at top and middle management levels. Most importantly new recruits within the city of Matlosana
(b) Bidders must also indicate the experience of top and middle management staff, especially where the experience of the company as a whole is limited.

5.11.7 **Previous experience**
(a) Bidders must indicate the number of years that they have been operating their business.
(b) Bidders must provide evidence of previous experience in providing the goods or services under consideration, by providing a minimum of three contactable and relevant references.

5.11.8 **Financial ability to execute the contract**
(a) Bidders must indicate the revenue generated by their company in the previous financial year.

5.12 **IMPLEMENTATION FRAMEWORK**
According to Preferential Procurement Policy Framework Act, No. 5 of 2000 and Regulations a preference point system must be followed:
(a) For contracts with a Rand value above a prescribed value (more than R500 000) a maximum of 10 points may be allocated for specific goals as outlines below provided that the lowest acceptable bid scores 90 points.

(b) For contracts with a Rand value below a prescribed value (less than R500 000) a maximum of 20 points may be allocated for specific goals as outlined below provided that the lowest acceptable bid scores 80 points.

(c) Any other bids that are higher in price must be awarded fewer points, on a pro rata basis, calculated on their bid price in relation to the lowest acceptable bid, in accordance with a prescribed formula.

The following formula shall apply:

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

Where:

\- \(P_s\) = Point scored for price of bid under consideration
\- \(P_t\) = Rand value of bid under consideration
\- \(P_{\text{min}}\) = Rand value of the lowest acceptable bid

And where 80 is to be replaced with 90 for contracts exceeding R500 000 in contract value.

Where the lowest bid is a negative value that value shall, for purposes of applying the formula, be adjusted to a positive value and all other bids be adjusted with the same amount.

5.12 MECHANISMS TO SUPPORT PREFERENTIAL PROCUREMENT

5.12.1 Determination of bid requirements in relation to bid value

The municipality will set target for the supply of goods and services, and link specific requirements relating to enterprise with HDI ownership and/or SMME status.
5.12.2 Establishment / maintain a database of SMME service provider
The municipality will establish a database of HDI, SMME and other service providers in order to track their records of services to the municipality.
All suppliers and service providers interested in forming joint venture must use the database to select the sub contractor or joint venture.

5.12.3 Identification of Business Opportunities
(a) Within a month after the Capital and Operating budgets have been approved, the minimum figures (targets) for the supply of goods or services that could be supplied by HDI owned enterprises and SMME's, should be submitted to the respective Portfolio Committee for approval.
(b) Joint venture opportunities between HDI owned enterprises and SMME's, and other business entities, will be identified and be described in the bid requirements.
(c) Sub-contracting opportunities fro HDI owned enterprises will be supported.

5.12.4 Creation of an enabling environment
The municipality will create an enabling environment to enable SMME's to become part of the supply chain management process. Steps to be taken include:
(i) Surety Requirements
See the SCM Policy, paragraph 21(1)(f) regarding the lesser extent that sureties are called for.
(ii) Access to Bidding Information
Bidding and related information will be made available in a simplified and uncomplicated format to assist new and emerging enterprises and any business or organization bidding for municipal business.
(iii) Bidding Advice Centre
Assistance must be provided by the Local Economic Development Department to increase SMME awareness and share in the supply chain and procurement process. Assistance must be provided for new and emerging SMME's.
(iv) Sub-Contracting
The procurement of goods and services for any project or other requirement of the municipality should cater for the engagement of sub-contractors. This will provide opportunities for smaller business to increase their share in public sector procurement.

All sub-contracted must be appointed from the Municipal Database of sub-contractor or such sub-contractor must make sure that it is registered on the database as per the application form so determined by the Unit.

(v) Proposed Process

- Bids shall be packaged into suitably sized segments of subcontractors to target SMME’s wherever possible.
- A review of all term (period) contracts shall be undertaken to assess the viability of packaging these into smaller subcontracts. These bids should be issued in smaller manageable sub-contracts so that preference can be given to local SMME’s.
- Appropriate standards, specifications, delivery dates and related contractual obligations shall be employed to help smaller business to cope and compete.
- The city of Matlosana may invite a tender for the development of certain category of people or giving preference to certain category of people in order to promote of historically disadvantage people

(vi) Early Payment Cycles

- Small enterprises should be assisted by means of early payment cycles by the municipality.
- A procedure for processing payments within a maximum of 30 days from the date or receipt of invoices must be instituted. Payment times less than 30 days from the date of receipt of invoices may be introduced subject to discounts.
- When dealing with SMME’s, the above shall not exclude other accommodating measures such as interim or early payment or direct payment of suppliers. Such measures shall however not be regarded as policy or standard procedure, and shall be applied at
the discretion of the chief financial officer on an individual contract basis.

(vii) Simplification of Tender Documentation

- Bid submission documents should be rationalized and simplified to make it easier for small business to deal with the paperwork involved in tendering.
- All bid submission forms shall be regularly reviewed and the various bid/contractual documents shall be standardized as far as possible.
- Essential information shall be consolidated and bid forms reformatted in line with the aims of this policy.

(viii) Retention

- The value of retention deducted will be as follows:
  - Contracts up to R1 million [VAT included]:
    5% of the value of the work carried out, up to a limit of 5% of the tender sum, with no reduction for the duration of the maintenance period.
  - Contracts exceeding R1 million [VAT included]:
    10% of the value of work carried out with no limit, reducing to 5% for the duration of the maintenance period.

- Retention in respect of the procurement of goods and services will not generally be called for, but where required, will be in accordance with the limits described above.

5.12.5 Advertising

(a) In order to reach the largest number of HDI owned and SMME service providers possible, the municipality will undertake to advertise invitations to bid through a range of media.

(b) The municipality will provide an appropriate time period within which bidders can request additional clarification and will be sensitive to the issues of language in this regard.

6. FRAMEWORK FOR ADJUDICATION OF BIDS
Bids are adjudicated by the Bid Adjudication Committee in terms of Council’s preferential procurement policy. The following framework is provided in this regard in line with Regulations 8 and 9 of the Preferential Procurement Regulations R725 of 10/08/2001:

6.1 TECHNICAL ADJUDICATION

Bids are adjudicated in terms of:

- Compliance with bid conditions
- Meeting of technical specifications

If the bid does not comply with the bid conditions the bid may be rejected depending on the extent and the seriousness of the non-compliance. If technical specifications are not met the bid may also be rejected.

Bids containing any one or more of the following errors or omissions will be rejected:

- Pages to be completed if removed from the document (therefore not submitted)
- Failure to complete the schedule of quantities as required – only lump sums provided
- Scratching out/writing over rates/painting over rates/ use of correcting fluid
- Failure to attend compulsory site inspection/ compulsory briefing sessions
- Bid form not signed and all pages of bid documents not initialled
- No authority for signatory submitted
- Enterprise particulars not provided
- Valid original Tax clearance certificate not attached
- The bid has been submitted after the closing date and time

6.2 GENERAL CRITERIA

6.2.1 Infrastructure and resources available

Evaluate the following in terms of the size, nature and complexity of the goods and/or services required:

- Physical facilities
- Plant and equipment available for the project which is owned by the bidder
- Plant and equipment the bidder intends renting, should the project be awarded to him.

Awards points as follows:
Bidder has the necessary infrastructure and resources available to successfully executed the contract | 2
---|---
There is some doubt about whether Bidder has all the necessary infrastructure and resources available. He has most of it available however | 1
Bidder does not have the necessary infrastructure and resources available to execute the project | 0

**Note:** With regard to rented plant and equipment the adjudicator must establish whether:
(a) The plant hire company has the equipment available for the bidder; and
(b) Whether the bidder’s creditworthiness and / or financial standing will allow him to rent plant

6.2.2 Size of enterprise and current workload
Evaluate the bidder’s position in terms of:
- Previous and expected current annual turnover
- Current contractual obligations
- Capacity to execute the contract

Awards points as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Points awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidder has the necessary capacity available to successfully execute the contract.</td>
<td>2</td>
</tr>
<tr>
<td>There is some doubt about whether Bidder has all the necessary capacity available.</td>
<td>1</td>
</tr>
<tr>
<td>Bidder does not have the necessary capacity available to execute the project.</td>
<td>0</td>
</tr>
</tbody>
</table>
Note: Combine the contractor’s current obligations with the impact this contract will have, and compare with the turnover of the previous year and the estimated turnover for the current year.

6.2.3 Staffing profile
Evaluate the bidder’s position in terms of:
- Staff available for the contract
- Qualifications and experience of key staff to be utilized on this contract.

Awards points as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Points awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidder has the necessary staff available to successfully execute the contract.</td>
<td>2</td>
</tr>
<tr>
<td>There is some doubt about whether Bidder has all the necessary staff available.</td>
<td>1</td>
</tr>
<tr>
<td>Bidder does not have the necessary staff available to execute the project.</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: The availability of staff is particularly important if the enterprise does not have the necessary previous experience.

6.2.4 Previous experience
Evaluate the Bidder’s position in terms of his previous experience.
Pay particular attention to the following:
- Relevant experience in the technical field
- Experience of contracts of similar size
- Contract some or all of the reference to obtain their input.

Awards points as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Points awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidder has the necessary experience to successfully execute the contract.</td>
<td>2</td>
</tr>
<tr>
<td>There is some doubt about whether Bidder has all the necessary experience to successfully execute the contract.</td>
<td>1</td>
</tr>
<tr>
<td>Bidder does not have the necessary experience to execute the project.</td>
<td>0</td>
</tr>
</tbody>
</table>
Note: In the case where there is doubt the bidder’s experience the adjudicator should establish whether it will be possible to provide assistance, for example through the contractor development programme, or by employing a construction and materials manager on the project. Should such support be available, 2 points may be awarded.

6.2.5 Financial ability to execute the contract

Evaluate the bidder’s financial ability to execute the contract. Pay particular attention to the following:

- Surety proposed
- Estimated cash flow
- Contract the bidder’s bank manager and assess his financial ability to execute the contract.

Awards points as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Points awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidder has the necessary financial ability to successfully execute the contract.</td>
<td>2</td>
</tr>
<tr>
<td>There is some doubt about whether Bidder has the financial ability to successfully execute the contract.</td>
<td>1</td>
</tr>
<tr>
<td>Bidder does not have the financial ability to execute the project.</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: In the case where there is doubt the bidder’s financial ability the adjudicator should establish whether it will be possible to provide assistance, for example through the contractor development programme, or by utilizing a project account or other method to effect quick payment. Should such support be available, 2 points may be awarded.

6.2.6 Good standing with South African Revenue Services

Establish whether a valid original tax clearance certificate, or a valid original certificate, stating that suitable tax arrangements with the Receiver made, has been submitted as required by the Supply Chain Management Policy.

6.2.7 General acceptability [form 1: Bid Evaluation Form]
Bid number: 
Submission Date: 

<table>
<thead>
<tr>
<th>No.</th>
<th>Bid's Name</th>
<th>Meeting technical</th>
<th>Compliance conditions</th>
<th>Infrastructure and resources available</th>
<th>Size of enterprise and current workload</th>
<th>Staffing Profile</th>
<th>Previous experience</th>
<th>Financial ability</th>
<th>Total</th>
<th>Accept or reject</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**Note:** Bidder must have a Y [Yes] in the first three columns after his name, and must have a minimum of 8 out of 10 points in the next five columns, in order to be considered able to execute the works. If this is not the case the bid is rejected. If any of criteria was rated zero points, the bid is also rejected, even if required 8 of 10 points are achieved.

The point calculated on this sheet is not being used in the calculation of the bid point.

### 6.3 SPECIFIC GOALS

#### 6.3.1 Price

Calculate the points awarded for price for each bid, using the following formula:

\[
Ps = 80 \times \left(1 - \frac{Pt - Pmin}{Pmin}\right)
\]

Where:

- \(Ps\) = Point scored for price of bid under consideration
- \(Pt\) = Rand value of bid under consideration
- \(Pmin\) = Rand value of the lowest acceptable
And where 80 is to be replaced with 90 for contracts exceeding R500 000,00 in contract value [VAT included].

**Note:** Refer to the Regulations of the Preferential Procurement Policy Framework Act [Act 5 of 2000] where bids are not all below or above R500 000,00.

### 6.3.2 Equity Ownership

Calculate the points to be awarded for equity ownership as follows:

\[ NEPe = NOPe \times EPe \]

Where:

- **NEPe** = nr. of points awarded for equity ownership by HDI’s [To be filled in on Form 2]
- **NOPe** = maximum nr. of points awarded for equity ownership by HDI’s [As shown on Form 2]
- **EPe** = percentage of Equity Ownership by HDI’s within the enterprise or joint venture [take into account the requirement of managerial involvement, and taking into account work sub-contracted to HDI owned enterprise]

EPe is calculated as follows:

\[ EPe = \frac{(100-PS)}{100} + \frac{PS \times SEO}{200} \]

Where:

- **PS** = The percentage of the contract sub-contracted
- **MEO** = The percentage equity ownership by HDI’s of the enterprise of joint venture.
- **SEO** = The percentage equity ownership of sub-contractors

Where part of the work is being sub-contracted.

**Example:**

- No joint venture
- Main contractor 50% HDI owned
- 20% of the work is being sub-contracted
- Combined HDI ownership of sub-contractors is 80%
6.3.3 SMME Status

Award points as follows:

$$\text{EPS} = \frac{\text{NEPe}}{\text{NOPe}} \times 100$$

Where:

- **NEPe** = Number of points awarded for SMME status [To be filled in on Form 2]
- **NOPe** = Maximum number of points awarded for SMME status [As shown on Form 2]

EPS is awarded as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium enterprise</td>
<td>50</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>67</td>
</tr>
<tr>
<td>Very small enterprise</td>
<td>84</td>
</tr>
<tr>
<td>Micro enterprise</td>
<td>100</td>
</tr>
</tbody>
</table>

6.3.4 Job creation

Calculate the points awarded for job creation for each bid using the following formula:

$$\text{NEP}_j = \text{NOP}_j \left( \frac{\text{J}_t}{\text{J}_{\text{max}}} \right)$$

Where:

- **NOP}_j = The maximum number of points awarded for job creation (As shown on Form 2)
- **NEP}_j = Point scored for job creation of bid under consideration
- **J}_t = Nr. of jobs offered in bid under consideration (measured in Person-months)
- **J}_{\text{max}} = Nr. Of jobs offered by the acceptable bid offering the Highest number of jobs (measured in person-months)

6.3.5 Local Content & City of Matlosana based bidders

Calculate the points to be awarded for local content as follows:
NEP/ = \frac{\text{NOP/} \times \text{EP/}}{100}

NEP/ = \text{Nr. of points awarded for local (South African) content (To be filled in on Form 2)}

NOP/ = \text{Maximum nr. of points awarded for local content (As Shown on Form 2)}

Ep/ = \text{percentage local content}

And = \text{CoM based companies are awarded maximum Points for locally based (As shown of Form 2)}

### 6.3.6 Specific goals (Form 2: Allocation of specific goals)

Using the above information, complete Form 2 for all bidders accepted.

| Bid Number: | | |
| Submission date: | | |

<table>
<thead>
<tr>
<th>No.</th>
<th>Bidder</th>
<th>Comparative price</th>
<th>HDI Ownership</th>
<th>Female Ownership</th>
<th>Disabled Ownership</th>
<th>Local companies</th>
<th>Local youth (matlosana)</th>
<th>Youth Development</th>
<th>GRAND TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Weighting for bids with the 80:20 principle</td>
<td>80</td>
<td>0.5</td>
<td>0.5</td>
<td>10</td>
<td>HDI</td>
<td>ALL</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Weighting for bids with the 90:10 principle</td>
<td>90</td>
<td>0.5</td>
<td>0.5</td>
<td>6</td>
<td>HDI</td>
<td>All</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>2</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

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7. EVALUATION OF PROFESSIONAL SERVICES

The evaluation criteria for all consultants shall consist of 70 points for functionality and 30 points for the price.

A. PROJECT MANAGERS/CONSULTANTS

The Evaluation of Tender for consultants is prepared in line with the National Treasury Document February 2004:

A guide of Accounting Officers/Authorities and guideline scope of services and tariff fees for persons registered in terms of the Engineering Profession Act 200, (Act No 46 of 2000)

B. TRAINING PROVIDERS

The evaluation of training providers is prepared in line with SETA and SAMDI guideline documents.

5. EMPOWERMENT 10 OR 20

HDI Ownership 18 or 8

A maximum of sixteen (16) or eight (8) points for HID ownership depending on Tender amount being less than or greater than R500 000.

Calculate the points to be awarded for equity ownership as follows:

<table>
<thead>
<tr>
<th>For 80/20 Points Scoring:</th>
<th>For 90/10 Points Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>[ NEPe = \frac{16 \times EPe}{100} ]</td>
<td>[ NEPe = \frac{8 \times EPe}{100} ]</td>
</tr>
</tbody>
</table>

Where: \( NEPe \) is the number of points awarded for equity ownership by HID's.

\( EPe \) is the percentage of Equity Ownership by HDI's within the enterprise or joint venture including the subcontractors

\[
EPe = \left(100 - PS\right) \left[\frac{MEO}{100}\right] \times PS + \frac{SEO}{100}
\]

Where: \( PS \) = The percentage of the contract sub-contracted
\( MEO \) = The percentage equity ownership by HDI's of the enterprise or joint venture calculated as shown below
\( SEO \) = The percentage equity ownership of sub-contractors part of the work is being sub-contracted to
MEO is calculated as follows:

<table>
<thead>
<tr>
<th>Scoring</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 80/20 Points</td>
<td>$MEO = \left[10/16 \times EP_{pdi}\right] + \left[4/16 \times EP_{wmn}\right] + \left[2/16 \times EP_{dsbld}\right]$</td>
</tr>
<tr>
<td>For 90/10 Points</td>
<td>$MEO = \left[5/8 \times EP_{pdi}\right] + \left[2/8 \times EP_{wmn}\right] + \left[1/8 \times EP_{dsbld}\right]$</td>
</tr>
</tbody>
</table>

Where:

$EP_{pdi}$ is the percentage of Equity Ownership by Pdi’s within the enterprise or joint venture.

$EP_{wmn}$ is the percentage of Equity Ownership by women within the enterprise or joint venture.

$EP_{dsbld}$ is the percentage of Equity Ownership by disabled persons within the enterprise or joint venture.

Pdi’s = persons who had no franchise in national elections prior to the introduction of the 1983 and 1993 constitutions and obtained South African citizenship before the First Democratic Election in April 1994.

SEO is calculated as follow:

<table>
<thead>
<tr>
<th>Scoring</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 80/20 Points</td>
<td>$SEO = \left[10/16 \times SEP_{pdi}\right] + \left[4/16 \times SEP_{wmn}\right] + \left[2/16 \times SEP_{dsbld}\right]$</td>
</tr>
<tr>
<td>For 90/10 Points</td>
<td>$SEO = \left[5/8 \times SEP_{pdi}\right] + \left[2/8 \times SEP_{wmn}\right] + \left[1/8 \times SEP_{dsbld}\right]$</td>
</tr>
</tbody>
</table>

Where:

$SEP_{pdi}$ is the percentage of Equity Ownership by Pdi’s within the contractors.

$SEP_{wmn}$ is the percentage of Equity Ownership by women within the contractors.

$SEP_{dsbld}$ is the percentage of Equity Ownership by disabled persons within the sub-contractors.

Pdi’s = persons who had no franchise in national elections prior to the introduction of the 1983 and 1993 constitutions and obtained South African citizenship before the First Democratic Elections in April 1994.

Example

- No joint venture
- Main consultant 50% HDI owned
- 20% of the work is being sub-contracted
- Combined HDI ownership of sub-contractors is 80%

$EPE = \left(100 - 20\right) \left(\frac{50}{100}\right) + \left(20 \times 80\right) \left(\frac{20}{100}\right)$
Small Medium and Micro Enterprises 1 or 0.5

A maximum of one 90/10 or half (0.5) points is awarded for businesses with an annual turnover of less than R2 000 000

SMME Status

Award points as follows:

<table>
<thead>
<tr>
<th>For 80/20 Points Scoring:</th>
<th>For 90/10 Points Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>( NEp_e = \frac{1}{100} EPs )</td>
<td>( NEp_s = \frac{0.5}{100} EPs )</td>
</tr>
</tbody>
</table>

NB: 1. A BIDDER THAT SCORES LESS THAN 50% IN RESPECT OF “FUNCTIONALITY” WILL BE REGARDED AS SUBMITTING A NON-RESPONSIVE PROPOSAL AND WILL BE DISQUALIFIED.
2. THE SLIDING SCALE AS STIPULATED UNDER PARAGRAPH 5.9.1, FIG 1 AND 5.9.2 FIG.2 MUST APPLY WHEN ALLOCATING HDI POINTS

8. SHORT TITLE

This part of the policy is called the City of Matlosana Preferential Procurement Policy.