

**MAKHUDUTHAMAGA LOCAL**

**MUNICIPALITY**

**SUPPLY CHAIN MANAGEMENT  
POLICY AND PROCEDURES**

**2021/22**

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# SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES

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## SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES

### ABBREVIATIONS

AGSA	Auditor General South Africa
AO	Accounting Officer
BBBEE	Broad Based Black Economic Empowerment
BBBEE Act	Broad Based Black Economic Empowerment Act
CIDB	Construction Industry Development Board
CFO	Chief Financial Officer
HDI	Historically Disadvantaged Individual
MBD	Municipal Bidding Documents
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
SARS	South African Revenue Services
SCC	Special Conditions of Contract
SCM	Supply Chain Management
SLA	Service Level Agreement



# SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES

## 1. DEFINITIONS

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

**“Accounting Officer”** means the Municipal Manager

**“competitive bidding process”** means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

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

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

**“formal written price quotation”** means quotations referred to in paragraph 12 (1) (c) of this Policy;

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

(a) a member of –

(i) any municipal council;

(ii) any provincial legislature; or

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

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

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

(d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

(e) a member of the accounting authority of any national or provincial public entity; or

(f) an employee of Parliament or a provincial legislature;

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

**“list of accredited prospective providers”** means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

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

(a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);

(b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and



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(c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

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

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

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

“**written or verbal quotations**” means quotations referred to in paragraph 12(1)(b) of this Policy.

### 1.1 Application and Scope

1.1 This policy is applicable to all Councilors, Municipal Officials and relevant stakeholders for all Procurement processes.

### 1.2 Legislative Framework

1.2.1 This policy is formulated and is implantable in compliance with and to give effect to the provisions of the following pieces of legislation:-

- i. The Constitution of South Africa, Act 108 of 1998
- ii. Municipal Finance Management Act No 56 of 2003
- iii. Municipal Systems Act No 32 of 2000
- iv. The Preferential Procurement Policy Framework Act, 2000, No.5 of 2000;
- v. The Broad-Based Black Economic Empowerment Act, 2003 No.53 of 2003; and
- vi. National Treasury guidelines and regulations.
- vii. Construction Industry Development Regulations

### 1.3 Objectives of the policy

(1) To provide a policy framework to maintain a supply chain management system which is transparent, efficient, equitable, competitive, ensures best value for money for the municipality, applies the highest possible ethical standards, and promotes local economic





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development, in terms of section 62 (1) (f) (iv) of the Municipal Finance Management Act, Act 56 of 2003.

(2) By adopting this policy the council are delegating supply chain management powers and duties to the accounting officer in order to enable the Accounting Officer to

- i. maximize administrative and operational efficiency in the implementation of the supply chain management policy;
- ii. Enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and
- iii. Comply with his/her responsibilities in terms of section 115 and other applicable provisions of the Act.
- iv. Further pledges itself and the municipal administration to the observance of all applicable national legislation, including specifically the:
  - a. Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;
  - b. Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act;
  - c. Municipal Finance Management Act No. 56 of 2003; including the regulations relating to the prescribed framework for supply chain management.

(3) The municipality shall not act otherwise than in accordance to this policy when:

- i. Procuring goods or services;
- ii. Disposing of goods no longer needed; and
- iii. Selecting Service Providers to provide assistance in the provision of municipal services.



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## CHAPTER 1

### IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

#### 2. SUPPLY CHAIN MANAGEMENT POLICIES

2.1 All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –

(1) gives effect to –

- (i) Section 217 of the Constitution; and
- (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;

(2) is fair, equitable, transparent, competitive and cost effective; complies with:

- (i) the Regulations; and
- (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;

(3) is consistent with applicable legislation;

(4) provides for at least the following effective systems:

- a) Demand Management
- b) Acquisition Management
- c) Logistics Management
- d) Disposal Management
- e) Risk Management; and
- f) Performance Management

(5) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and

(6) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

- a) procures goods or services;



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

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

- a. water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- b. electricity from Eskom or another public entity, another municipality or a municipal entity.

(8) In cases where Makhuduthamaga Local Municipality procures goods and services in line with section 110 (2) of the Act, the following must be disclosed:

- a) Disclose the description of goods and services
- b) Disclose the name of the service provider.
- c) Disclose the value of the transaction.

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

3.1 The Accounting Officer must –

- i. at least annually review the implementation of this Policy; and
- ii. When the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- iii. Submit to council a report stating the facts established during review of the implementation of this policy if it was found unnecessary to review the policy.

3.2 *If* the accounting officer submits proposed amendments to the Council that differs from the model policy issued by the National Treasury, the Accounting Officer must:



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- (a) ensure that such proposed amendments comply with the Regulations; and
- (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

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

#### **4. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES**

##### **(1) General Rules**

- i. All SCM activities must be executed in accordance with pre-established levels of authority through delegations, to ensure control and division of responsibility.
- ii. A delegation of authority shall be in writing.
- iii. Only the Accounting Officer is entitled to confirm, vary or revoke any decision taken in consequence of a delegation.
- iv. The Council may not delegate any SCM powers or duties to a person who is not an official of Makhuduthamaga Local Municipality.
- v. Should the Accounting Officer decide that the bid adjudication committee only awards bids up to a specified threshold value, bids above that threshold value should be referred to the Accounting Officer for finality.
- vi. The Council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer –
  - a. to discharge the legislative supply chain management responsibilities conferred on Accounting Officers in terms of Chapter 8 of the MFMA;
  - b. to maximise administrative and operational efficiency in the implementation of this Policy;
  - c. to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and



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- d. to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the MFMA.

(2) Sections 79 and 106 of the MFMA apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1)

- a) The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality
- b) Experts may be invited to sit in committees dealing with supply chain matters only for purposes of providing technical expertise and not be part of decision-making.

(3) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

### 5. SUB DELEGATIONS

5.1 The Accounting Officer may in terms of section 79 or 106 of the MFMA sub delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub delegation must be consistent with sub paragraph ( 5.2) of this paragraph and paragraph 4 of this Policy.

5.2 The power to make a final award:

- a) above R10 million (VAT included) may not be sub delegated by the Accounting Officer;
- b) above R2 million (VAT included), but not exceeding R10 million (VAT included) may be sub-delegated but only to the:
  - i. CFO
  - ii. Senior manager
  - iii. Bid Adjudication Committee.
- c) Not exceeding R2 million (VAT included) may be sub delegated but only to



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- i. The Chief finance Officer
- ii. A senior manager
- iii. A manager directly accountable to the chief financial officer or to a senior manager;
- iv. A bid adjudication committee

5.3 An official or Bid Adjudication Committee to which the power to make final awards has been sub delegated in accordance with subparagraph (5.2) just within five days of the end of each month submit to the official referred to in subparagraph (5.4) a written report containing particulars of each final award made such official or committee during that month, including –

- i. the amount of the award;
- ii. the name of the person to whom the award was made; and
- iii. the reason why the award was made to that person.

5.4 A written report referred to in sub paragraph (5.3) must be submitted:

- (a) to the Accounting Officer, in the case of an award by:
  - (i) the Chief Financial Officer;
  - (ii) a Senior Manager; or
  - (iii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member; or
- (b) to the Chief Financial Officer or the senior manager responsible for the relevant bid, in the case of an award by:
  - (i) a manager referred to in subparagraph (5.2)(c)(iii); or
  - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

5.5 Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.



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5.6 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in regulation 26.

5.7 No supply chain management decision-making powers may be delegated to an advisor or consultant. i.e. experts may be invited to sit in committees dealing with supply chain matters only for the purpose of proving technical expertise and not part of decision making.

5.8 Roles and responsibilities of the accounting officer

- (i) Section 60 to 79 of the MFMA stipulates the roles and responsibilities of the Accounting Officer and the following are the extracts of the applicable sections:
- (ii) Fiduciary responsibilities (section 61)
- (iii) The Accounting Officer of the Municipality must:
  - a. Act with fidelity, honesty, integrity, and in the best interests of the Municipality in managing its affairs;
  - b. Disclose to the Municipal Council and the Mayor, all material facts which are available to the Accounting Officer or reasonable discoverable, and which in any way might influence the decisions or actions of the Council or the Mayor; and
  - c. Seek, within the sphere of influence of the Accounting Officer, to prevent any prejudice to the financial interests of the Municipality.

### 6. OVERSIGHT ROLE OF THE COUNCIL

6.1 The Council reserves its right to maintain oversight over the implementation of this Policy.

6.2 For the purposes of such oversight the Accounting Officer must –

- i. within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
- ii. Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council

6.3 The Accounting Officer must, within 10 working days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive committee



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6.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act and section 75 of the Act.

### **7. SUPPLY CHAIN MANAGEMENT UNIT**

7.1 A supply chain management unit is hereby established and capacitated to implement this Policy.

7.2 The supply chain management unit operates under the direct supervision of the Chief Financial Officer.

### **8. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS**

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





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## CHAPTER 2

### SUPPLY CHAIN MANAGEMENT SYSTEM

#### 9. Format of supply chain management policy

9.1 This Policy provides systems for –

- i. demand management;
- ii. acquisition management
- iii. logistics management;
- iv. disposal management;
- v. risk management; and
- vi. Performance management.

#### Part 1: Demand Management

#### 10. System of Demand Management

10.1 In order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price, and at the right location, and that the quality and quantity satisfy needs, an effective system of demand management must include planning for future requirements: The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

10.2 The demand management system must –

- a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;



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- b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
- c) provide for the compilation of the required specifications to ensure that its needs are met.
- d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

### Part 2: Acquisition management

#### 11. System of acquisition management

(1) The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure –

- (a) that goods and services are procured by Makhuduthamaga Municipality in accordance with authorised processes only;
- (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
- (c) that the threshold values for the different procurement processes are complied with;
- (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
- (e) that any Treasury guidelines on acquisition management are properly taken into account.
- (f) that Makhuduthamaga Local Municipality avoids incurring unauthorised, irregular, fruitless and wasteful expenditure.



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(2) When procuring goods or services from another organ of state, the Accounting Officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including –

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

(3) the following is the authorised procurement process for Makhuduthamaga municipality;

Table 1. Procurement business process

STEP NUMBER	PROCESSES TO BE FOLLOWED
1. User department initiate a request for goods or services to be procured.	<ol style="list-style-type: none"> <li>1. End user submits request letter for goods or services to be procured to departmental secretary and ensures that all minimum requirements for procurement are met.</li> <li>2. Departmental secretary verify that all minimum requirements for procurement are met and capture the request for processing in the municipal financial management system when all minimum requirements for procurement are met.</li> <li>3. Departmental secretary rejects the request and sent it back to the end user if any of the requirements is not met or print and submits the request to the departmental senior manager for approval when all requirements are met.</li> <li>4. Departmental secretary keep record of requisitions captured and rejected.</li> <li>5. Departmental Senior Manager authorise request in the municipal financial management system, print and sign the approved request.</li> <li>6. Departmental secretary submits the approved request to Demand Officer in Budget and Treasury Office.</li> </ol>
2. BTO (Demand Officer) process	<ol style="list-style-type: none"> <li>1. Demand Officer receives and keep record of all requisitions for goods or services from all departments.</li> <li>2. Demand Officer verifies that goods or services requested are in the approved IDP, Demand management plan, and procurement plan and have funds available as per the approved annual budget.</li> </ol>



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request.	<ol style="list-style-type: none"> <li>3. Demand Officer submit the request to Bid Specification committee for development of detailed specification of goods or services required.</li> <li>4. Bid Specification committee prepare bid documents for all requested goods or services and submit the signed specification to Demand Officer for processing.</li> <li>5. Demand Officer processes the request on the municipal financial system, sign and submit the request with signed detailed specification/bid document for goods or services required to Acquisition Office.</li> </ol>
3.BTO (Acquisition Office) process the request for transactions of R30 000 or below	<ol style="list-style-type: none"> <li>1. Acquisition Officer receives and keep records of all requisitions of goods or services received.</li> <li>2. Acquisition officer updates the project register for the relevant financial year.</li> <li>3. Acquisition Officer use the municipal approved database of suppliers and Central Supplier Database to request price quotations as per paragraph 12 of this policy for transactions expected to be R30 000.00 or below.</li> <li>4. Acquisition Officer submit the requisition of goods or services with price quotations to Manager SCM for approval.</li> <li>5. SCM manager approves or disapprove the quotations and process the request in the municipal financial system. The approval must be printed and signed by the manager SCM and disapproval must also be signed with valid reasons.</li> <li>6. SCM manager submit the approved request with price quotations to Budget section to confirm budget availability and further processing.</li> <li>7. Budget Manager process the request and sign the confirmation of budget available and submit the request to Acquisition office for printing of the official purchase order.</li> <li>8. Acquisition Officer print the official purchase order and submit to BTO manager designated by the CFO in writing to sign the</li> </ol>



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	<p>purchase order for goods or services required.</p> <p>9. BTO manager designated to sign the purchase orders submits the purchase order with all relevant supporting documents to CFO for approval.</p> <p>10. CFO submits the approved official purchase orders to acquisition Office to inform the appointed service provider to collect the purchase order and submit the request documents with copy of the official purchase order to SCM accountant.</p> <p>11. SCM accountant keep record of all commitments awaiting delivery of goods and services.</p>
<p>3. BTO (Acquisition Office) process the request of goods or service for transactions above R30 000.00.</p>	<ol style="list-style-type: none"> <li>1. Acquisition Officer receives and keep records of all requisitions of goods or services received.</li> <li>2. Acquisition officer updates the project register for the relevant financial year.</li> <li>3. Acquisition Officer prepare advert and ensure publication of the advert for all transactions expected to be above R30 000.00:             <ol style="list-style-type: none"> <li>(a). Transactions of R200 000 or below must be advertised on the Municipal website, notice boards and CIDB website where applicable.</li> <li>(b). Transactions above R200 000.00 must be advertised on the Municipal website, National newspaper and CIDB website where applicable.</li> </ol> </li> <li>4. Bid Specification Committee and user department facilitate the tender briefing session meetings where applicable and make briefing session attendance registers available to bid evaluation committee.</li> <li>5. Bid Evaluation Committee – Open the municipal tender box in public on the closing date and time of the bid, open the received bid documents and record the names of all bidders and their bid amounts. The recorded bids received must be read out to the tenderers available during closing of the tender and be published on the municipal website.</li> </ol>



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	<ol style="list-style-type: none"> <li>6. Bid Evaluation committee verify the number of bid documents received and the bid prices against the list of bidders received and evaluate the bid documents.</li> <li>7. Bid Evaluation committee make recommendation for appointment of a successful bidder to Adjudication committee based on reasons indicated in the bid evaluation committee report and minutes.</li> <li>8. Bid Adjudication committee adjudicate the bid and make recommendation to the accounting officer for appointment or cancellation of the bid based on reasons indicated in the report of the bid adjudication committee.</li> <li>9. Accounting Officer award or not award the bid in writing and submit the signed appointment letter to the CFO.</li> <li>10. Acquisition officer informs the appointed bidder to collect the appointment letter.</li> <li>11. Appointed bidder submit acceptance or rejection letter to the Accounting Officer within required number of days as per the appointment letter.</li> <li>12. Acquisition officer – capture a commitment in the municipal financial management system and submit the appointment letters to SCM accountant.</li> <li>13. SCM accountant keep record of all commitments awaiting delivery of goods and services and regularly update the commitment list.</li> <li>14. Contract and logistics officer updates the contract register.</li> </ol>
<p>4. Goods or services are received</p>	<ol style="list-style-type: none"> <li>1. End user and SCM accountant verify the goods delivered against the approved specification of the goods or services and the official purchase order issued by the municipality and sign the supplier's delivery note.</li> <li>2. End user write and sign a letter confirming goods or services were</li> </ol>



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	<p>received in good order as per the approved specification and the official purchase order issued by the municipality and submit to SCM accountant.</p> <p>3. SCM accountant process a Goods Received Note in the municipal financial management system, sign and submit the documents to expenditure management office for payment request.</p>
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### 12. Procurement Threshold

1. Goods and services may only be procured by way of –

- (a) petty cash purchases, up to a transaction value of R2 000 (VAT included) per month and R350 (VAT included per transaction);
- (b) formal written price quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included); - 2 quotations
- (c) formal written price quotations for procurements of a transaction value over R10 000 up to R30 000 (VAT included); - 3 Quotations
- (d) a competitive bidding process for–
  - (i) procurements above a transaction value of R30 000 (VAT included); and
  - (ii) the procurement of long term contracts.

2. The Accounting Officer may, in writing-

- (a) Lower, but not increase, the different threshold values specified in sub-paragraph (1); or
- (b) direct that –
  - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
  - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
  - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R30 000.

3. Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values,



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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.

### 13. General Conditions for consideration of written quotations or bids

(1) The SCM Unit shall be solely responsible for sourcing quotations from prospective buyers who are registered on the database of accredited prospective providers in the relevant category.

(2) A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

(a) has furnished the following information:

(2) Name of the entity/individual;

(3) Physical and postal address

(4) Entity type, for example public company, private company, close corporation, partnership or sole trader

(iv) VAT registration number if applicable;

(v) Contact details ie telephone number, facsimile number and email if applicable

(vi) Income tax reference number and VAT registration number, if any;

(vii) Proof of municipal utilities account being in order

(b) has authorised the municipality to obtain a tax clearance from South African Revenue Services that the providers' tax matters are in order;

(b) has indicated –

(i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

(iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.





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### 14. Lists of accredited prospective providers

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

### ***Evaluation and accreditation for listing in the database of Makhuduthamaga Local Municipality***

(1)The provider's compliance with essential requirements must be evaluated to determine whether or not the entity qualifies for registration on Makhuduthamaga Local Municipality database of accredited prospective providers.

(2)Makhuduthamaga Local Municipality shall prevent registration of prospective providers in the following circumstances:

- i. Any prospective provider whose name appears on the National Treasury database as a provider prohibited from doing business with the public sector.
- ii. A provider whose name appears on the register of bid defaulters



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- iii. A provider who has been placed on liquidation
- iv. A provider whose tax affairs are not in order; or who does not have a valid tax clearance certificate.
- v. A provider who is involved in bribery, fraud and corruption.
- vi. Provider whose municipal account is in arrears, and not submitted any evidence to have made suitable arrangements to settle such.

### 3. Utilisation of the prospective providers' database

#### 3.1 When using the database, the Accounting Officer must:

- i. Promote ongoing competition amongst prospective providers i.e. invite prospective providers to submit quotations on a rotation basis.
- ii. Take all reasonable steps to ensure non-abuse of procurement of goods and services through written quotations or formal written price quotations
- iii. Promote the objectives of PPPFA and BBBEE Act.
- iv. The Municipality must manage and utilize its prospective providers' database efficiently and effectively.
- v. All the records must be kept, thus ensuring accurate and comprehensive recording of particulars, and price quotations obtained from the prospective providers registered on the database.

### 4. Utilisation of Central Supplier Database

4.1. Makhuduthamaga municipality shall use the Central Supplier Database as established by the National Treasury in selection of suppliers for procurement of goods or services under paragraph 12 (b) to (d) with effect from 1 July 2016.

## 15. Petty cash purchases

1. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –

- a. The Head of Department / Manager is responsible for authorization of petty cash purchases
- b. The maximum number of petty cash purchases per month for each manager is five (5)



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- c. Any types of expenditure may be procured from petty cash purchases excluding the following:
  - (i) Reimbursement of Travelling & Subsistence costs above R200.
  - (ii) Reimbursements for entertainment expenses above R200
  - (iii) Any other expenses in excess of R2 000 and;
- d. Manager Expenditure must submit a report to the Chief Financial Officer, including –
  - i. the total amount of petty cash purchases for that month; and
  - ii. receipts and appropriate documents for each purchase.

### **16. Written or verbal quotations**

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

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality and Central Supplier Database provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(c) and (d) of this Policy and the criteria for Central Supplier Database;
- (b) to the extent feasible, providers must be requested to submit such quotations in writing;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;
- (d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

### **17. Formal written price quotations**

(1)The conditions for the procurement of goods or services through formal written price quotations, are as follows:



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- a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality and Central Supplier Database.
- b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(c) and (d) of this Policy and criteria for Central Supplier Database;
- c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer.
- d) the accounting officer must record the names of the potential providers and their written quotations.

(2)A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

### **18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations**

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

- a. when using the list of accredited prospective providers and the Central Supplier Database the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- b. all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality.



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- c. offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- d. Chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a subdelegation;
- e. offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- f. acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- g. records of all decisions must be kept in a safe place and in compliance with the National Archives Act.

### **19. Competitive bids**

(1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of the regulation.

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



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### 20. Process for competitive bidding

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

- (a) Compilation of bidding documentation;
  - i. The supply Chain management unit will compile the tender document.
  - ii. The supply Chain management unit will forward the document to the user department for inputs.
  - iii. The document will be forwarded to the CFO for final review
  - iv. The document will be ready for printing after the approval by the CFO
- (b) Public invitation of bids;
  - i. Acquisition of goods and services in excess of R 200 000.00 will be advertised on a national newspaper and the Municipal website.
- (c) Site meetings or briefing sessions;
  - i. The Municipality will state in the invitation for bids if there will be a compulsory briefing for any tender advertised.
  - ii. Bidders must fill in the attendance register in that briefing session and one company must be represented by one person.
  - iii. Bidders who did not attend the compulsory briefing will automatically be disqualified from the evaluation processes.
- (d) Handling of bids submitted in response to public invitation
  - i. The bids will be opened in public by the Bid Evaluation Committee.
  - ii. The Bid Evaluation committee will register the names of the bidders and announce the bid amount in public.
- (e) Evaluation of bids;
  - i. The Chairperson of the Bid Evaluation committee will keep the documents in a safe place.
  - ii. The Chairperson of the Bid Evaluation committee will issue notice to all the members of the committee to attend the Bid Evaluation committee within five days of the closing date of the bid.



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- iii. The Bid evaluation committee will do the evaluation process and develop evaluation report that will be submitted to the Bid adjudication committee on the date of the meeting of the Bid adjudication committee.
- (f) Award of contracts;
  - i. The bid adjudication committee will make recommendation to the Accounting officer for approval.
  - ii. An appointment letter will be issued signed by the Accounting officer.
- (g) Administration of contracts
  - i. After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping
  - ii. Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes by the Contract Management Officer and municipal registry office.

### 21. Bid documentation for competitive bids

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

–

- (a) take into account –
  - a. the general conditions of contract and any special conditions of contract, if specified;
  - b. any Treasury guidelines on bid documentation; and
  - c. the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;



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80/20 points system will be used for a transaction value above R 30 000 and up to a transaction value of R 50 000 000;

90/10 points system will be used for a transaction value above R 50 000 000.

- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted; all bidders must fill in declaration of interest form, otherwise they will automatically be disqualified.
- (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
  - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
    - (aa) for the past three years; or
    - (bb) since their establishment if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
  - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.





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### 22. Public invitation for competitive bids

(1) The procedure for the invitation of competitive bids is as follows:

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers, commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and

(b) the information contained in a public advertisement, must include

(i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;

(ii) a statement that bids may only be submitted on the bid documentation provided by the municipality and

(iii) date, time and venue of any proposed site meetings or briefing sessions.;

(2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days 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.

(3) Bids submitted must be sealed.

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



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### **23. Procedure for handling, opening and recording of bids**

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

- (a) Bids–
  - i. must be opened only in public;
  - ii. must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
  - iii. Received after the closing time should not be considered and returned unopened immediately.
  
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
  
- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
  
- (d) The accounting officer must –
  - (i) record in a register all bids received in time;
  - (ii) Make the register available for public inspection; and
  - (iii) Publish the entries in the register and the bid results on the website.

### **24. Negotiations with preferred bidders**

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

- (a) Does not allow any preferred bidder a second or unfair opportunity;
- (b) Is not to the detriment of any other bidder; and
- (c) Does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

### **25. Two-stage bidding process**

(1)A two-stage bidding process is allowed for –



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- (a) Large complex projects;
- (b) Projects where it may be undesirable to prepare complete detailed technical specifications; or
- (c) Long term projects with a duration period exceeding three years.

(2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

(3) In the second stage final technical proposals and priced bids should be invited.

### **26. Committee system for competitive bids**

(1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:

- a. a bid specification committee;
- b. a bid evaluation committee; and
- c. a bid adjudication committee;

(2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and

(3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(4) The committee system must be consistent with –

- (a) paragraph 27, 28 and 29 of this Policy; and
- (b) Any other applicable legislation.

(5) The accounting officer may apply the committee system to formal written price quotations.

### **27. Bid specification committees**

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



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### (2) Specifications –

- (a) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (c) Must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- (g) Must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

### (3) A bid specification committee is composed of the following officials of the municipality:

- a) The Procuring Divisional Manager or person delegated by the manager concerned
- b) Advisor / Consultant (if necessary)



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- c) At least one (1) SCM official preferably from Demand management office as a standing member.
- d) At least three officials from the Municipality as standing members.

(4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

### **28. Bid evaluation committees**

(1) A bid evaluation committee must

- (a) Evaluate bids in accordance with –
  - (i) The specifications for a specific procurement; and
  - (ii) The points system set out in terms of paragraph 27(2)(f).
- (b) Evaluate each bidder's ability to execute the contract;
- (c) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
- (d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of-

- (i) Divisional manager from Budget and Treasury Office
- (ii) Supply chain management official
- (ii) Divisional manager from Infrastructure development department
- (iv) Divisional manager from Corporate Services department
- (v) Any other divisional manager from within the municipality.
- (vi) Advisor / Consultant (if necessary)



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### 29. Bid adjudication committees

(1) A bid adjudication committee must –

- (a) Consider the report and recommendations of the bid evaluation committee; and ;
- (b) Either –
  - (i) Depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
  - (ii) Make another recommendation to the accounting officer how to proceed with the relevant procurement.

(2) A bid adjudication committee consists of the following:

- (a) The Chief Financial Officer
- (b) At least three senior managers of the municipality.
- (c) An officer designated by the AO as secretary.
- (d) A Senior Supply Chain management Official

(3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

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

(5) (A) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –



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(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears for both the director(s) and the company and for bidders in areas where there are not payment of rates and taxes only affidavit from SAPS will be acceptable, and;

(ii) Notify the accounting officer.

(b) The accounting officer may –

(i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and

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

(b)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.

(c)The accounting officer must comply with section 114 of the Act within 10 working days

### **30. Procurement of banking services**

(1)A contract for banking services –

- (a) Must be procured through competitive bids;
- (b) Must be consistent with section 7 or 85 of the Act; and
- (c) May not be for a period of more than five years at a time.

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



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(3)The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

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

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

(2)Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(3)The accounting officer must notify SITA together with a motivation of the IT needs if –

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

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

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

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

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

(a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;





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- (b) There is no reason to believe that such contract was not validly procured;
- (c) There are demonstrable discounts or benefits to do so; and
- (d) That other organ of state and the provider have consented to such procurement in writing.

(2) Subparagraphs (1) (c) and (d) do not apply if –

- (a) A municipal entity procures goods or services through a contract secured by its parent municipality; or
- (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

### **33. Procurement of goods necessitating special safety arrangements**

(1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

### **34. Proudly SA Campaign**

The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

Firstly – suppliers and businesses within the municipality or district;

Secondly – suppliers and businesses within the relevant province;

Thirdly – suppliers and businesses within the Republic.

### **35. Appointment of consultants**



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(1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

(2) Consultancy services must be procured through competitive bids if

- (a) the value of the contract exceeds R200 000 (VAT included); or
- (b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- (a) all consultancy services provided to an organ of state in the last five years; and;
- (b) any similar consultancy services provided to an organ of state in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

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

(1) The accounting officer may –

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- (i) in an emergency;
- (ii) if such goods or services are produced or available from a single provider only;
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- (iv) acquisition of animals for zoos and/or nature and game reserves; or



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(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2)The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

(3)Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

### **37. Unsolicited bids**

(1)In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2)The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –

(a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;

(c) the person who made the bid is the sole provider of the product or service; and

(d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.



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(3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

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

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

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

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

(7) When considering the matter, the adjudication committee must take into account –

- (a) any comments submitted by the public; and
- (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.

(8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.



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Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

### **38. Combating of abuse of supply chain management system**

(1) The accounting officer must–

- (a) take all reasonable steps to prevent abuse of the supply chain management system;
- (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
  - (i) take appropriate steps against such official or other role player; or
  - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (d) reject any bid from a bidder–
  - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality or to any other municipality or municipal entity, are in arrears for more than three months; or
  - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;



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(e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

(f) cancel a contract awarded to a person if –

(i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

(g) reject the bid of any bidder if that bidder or any of its directors –

(i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;

(ii) has been convicted for fraud or corruption during the past five years;

(iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

(iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.



# SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES

## Part 3: Logistics, Risk and Performance Management

### 39. Logistics management

The accounting officer must establish and implement an effective system of logistics management, which must include –

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



## SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES

### 40. Disposal management

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

(2) Assets may be disposed of by –

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

(3) The accounting officer must ensure that –

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





## SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES

- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

### **41. Risk management**

(1) Risk management must include –

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

### **42. Performance management**

The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.



## **SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES**

### **Part 4: Other matters**

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

(1) No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.

(3) If SARS does not respond within 7 working days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

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

Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) Who is in the service of the state;
- (b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the municipality.

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

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



## SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES

- (a) The name of that person;
- (b) The capacity in which that person is in the service of the state; and
- (c) The amount of the award.

### 46. Ethical standards

(1) The National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management is attached as annexure A and will apply to all supply chain practitioners in order to promote –

- (a) Mutual trust and respect; and
- (b) An environment where business can be conducted with integrity and in a fair and reasonable manner.

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

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;



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- (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 of, or in any award of a contract by the municipality
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must be scrupulous in his or her use of property belonging to municipality
- (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
  - i. any alleged fraud, corruption, favouritism or unfair conduct;
  - ii. any alleged contravention of paragraph 47(1) of this Policy; or
  - iii. Any alleged breach of this code of ethical standards.

(3)Declarations in terms of subparagraphs (2)(d) and (e) –

- (a) Must be recorded in a register which the accounting officer must keep for this purpose;
- (b) By the accounting officer must be made to the speaker council who must ensure that such declarations are recorded in the register.

(4)The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.



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(5)A breach of the code of ethics must be dealt with as follows –

- (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
- (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
- (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

### **47. Inducements, rewards, gifts and favours to municipalities, officials and other role players**

(1)No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant -

- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to –
  - (i) any official; or
  - (ii) any other role player involved in the implementation of this Policy.

(2)The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.



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(3) Subparagraph (1) does not apply to gifts less than R350 in value.

### **48. Sponsorships**

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

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

### **49. Objections and complaints**

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

### **50. Resolution of disputes, objections, complaints and queries**

(1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

- (a) to assist in the resolution of disputes between the municipality and other persons regarding -
  - (i) any decisions or actions taken in the implementation of the supply chain management system; or
  - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or



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(b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2)The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3)The person appointed must –

- a. strive to resolve promptly all disputes, objections, complaints or queries received; and
- b. submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4)A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

- (a) the dispute, objection, complaint or query is not resolved within 60 days; or
- (b) no response is forthcoming within 60 days.

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

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

### **51. Contracts providing for compensation based on turnover**

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



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

### 52. RISK CONSIDERATIONS

ISSUE	RISK
Economy/ Competition	Interest rate fluctuation, exchange rate fluctuation, commodity price fluctuation, price and incentive wars, bankruptcy of partners, stock market collapse, global economic recession
Operational/ Technological	Forecast errors, component/material shortages, capacity constraints, quality problems, machine failure/downtime, software failure, imperfect yields, efficiency, process/product changes, property losses (due to theft, accidents, etc.), transportation risks (delays, damage from handling/transportation, re-routing, etc.), storage risks (incomplete customer order, insufficient holding space, etc.), budget overrun, emergence of a disruptive technology, contract terms (minimum and maximum limit on orders), communication/IT disruptions
Social	Labor shortages, loss of key personnel,





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	strikes, accidents, absenteeism, human errors, organizational errors, union/labor relations, negative media coverage (reputation risk), perceived quality, coincidence of problems with holidays, fraud, sabotage, pillage, acts of terrorism, malfeasance, decreased labor productivity
Legal/Political	Liabilities, law suits, governmental incentives/restrictions, new regulations, lobbying from customer groups, instability overseas, confiscations abroad, war, tax structures, customs risks (inspection delay, missing data on documentation)



## **SUPPLY CHAIN MANAGEMENT POLICY AND PROCEDURES**

### **53. PROCUREMENT PROCEDURES**

The Supply Chain Management Unit is a section within the Budget & Treasury).

#### **MAIN FUNCTION**

To implement the Supply Chain Management system of Makhuduthamaga Local Municipality in accordance with the Municipal Supply Chain Management Policy, Municipal Finance Management Act and other Treasury Regulations in circulation.

#### **Activities in the unit**

##### **Handling of Request Memos and Requisitions ;( Acquisition Officer)**

(1) Requisitions must be signed by the Head of Department or her/his delegate and submitted to Supply Chain Management office at least fourteen (14) days prior to required date for all goods or services to the value above R 30 000.00 (VAT inclusive) and at least seven (7) days for goods and services to the value below R 30 000.00. For all goods or services above R200 000.00 (VAT inclusive) requisitions must be submitted at least twenty one (21) days prior the required date.

Any person, who signs in his/her acting capacity or a delegation, must attach the copy of the memorandum that clearly specifies the acting period or the delegated authority. Submit to Demand officer to verify the budget to capture the details of the request and the submitter must sign the register with the date. Demand officer must verify whether the correct votes have been stated. Once registered, the specification committee must sit and determine the specification wherein the user department be must be represented and it must be submitted to the procurement officer to obtain quotations as follows;

(2) Quotations from R350.00 - R2 000 (Vat included) two written quotations (turn around in SCM office -2 days)



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(3) Quotations from R2001-R200 000 (Vat included) minimum of three written quotations (turnaround time in SCM office 12 working days)

(4) Quotations from R350.00 to R30 000 (vat included) to be approved by CFO or his delegate.

(6) Quotations from R 30 001 to R 200 000 (Vat included) must go through the Bid Evaluation Processes

### **Official Purchasing order;**

- (1) Official purchasing orders request must be accompanied by the completed requisition, duly authorized quotations and approved decision of either the CFO or bid adjudication committee.
- (2) Official purchase orders issued by the municipality to the value of R 200 000.00 (VAT included) shall be approved by the Chief Financial Officer and the manager from Budget and Treasury designated by the Chief Financial Officer.
- (3) Official orders above the value of R 200 000.00 (VAT included) must be approved by the accounting officer or a senior manager delegated by the accounting officer.
- (4) The official purchase order issued by the municipality must be valid for a period not exceeding hundred and twenty (120) days from the date of issue for all supply and delivery transactions.
- (5) The purchase order must clearly indicate that the purchase order is valid for (120) days only and the fact that it shall be cancelled if delivery is not made within the terms of the purchase order.
- (6) The accounting officer must cancel the official purchase order issued by the municipality if the appointed supplier fails to deliver goods or services within the sixty (120) days from the date of issue.

### **Requesting for Payment; (Acquisition Officer)**



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- (1) The requests for payment must have been requested and authorized by the official and the relevant Head of Department respectively.
- (2) The request for payment is processed once the (tax) invoice has been received.
- (3) The SCM accountant must attach all relevant documentation such as tax invoice, quotations, bid adjudication committee decision, the order etc.
- (4) The submitter and the receiver of the documentation must sign in the register.
- (5) Once the invoice is received it must take a maximum of 10 working days to execute the payment from the date of the submission. All invoices must be paid within 30 days

### **Tender Advert; (Manager SCM)**

- (1). Submissions from end user Departments must be received by SCM office at least fourteen (14) days in advance prior the required date of goods or services to the value less than R200 000.00, twenty eight (28) days for goods and services above R200 000.00 up to R 9 999 999.99. For all goods or services required for a long term contract or above R 10 million, requisitions must be submitted to SCM office at least forty (45) days before the required date.
- (2) The tender documentation is compiled once the specification or Terms of Reference have been approved by the Municipal Manager.
- (3) The tender document must be ready at least seven (7) days in advance before the advert.
- (4) All advertisements must be done through the supply chain management unit and must be authorized by the Manager, SCM up to the value of R 200 000.00 (VAT included) and for all advertisements above the value of R 200 000.00 (VAT included) must be authorised by the Chief Financial Officer or manager in Budget and Treasury Office delegated by the CFO or the Accounting Officer.
- (5) All tender adverts must be registered by the Acquisition officer with the municipal Notice number.



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(6) Procurement of goods or services with the value from R 30 000 and above must be advertised in the municipal website or notice boards for at least 7 days.

(7) All procurements above R200 000 must be done through competitive bidding by way of advertisement in commonly circulated newspaper and as in 4.3 above for at least 14 days.

(8) All procurements with the transaction value above R10 m (vat included) and of long term nature, the closing date may not be less than 30 days.

(9) The bid invitation must include at least the closing date, time and the place.

(10) All advertisement must be ready by Thursdays for a space in a weekend and Monday papers.

### **Tender Opening**

(1) The bid documents should be opened in public as possible after the closing time on the closing date.

(2) The responsible Bid committee must read out the bidder's name and the bidder's total bidding price.

(3) For the two envelope bidding system, the Bid committee must announce only the estimates and the number of the submissions.

(4) The responsible Bid committee must register all bids as they are opened.

(5) Bid committee must sign at the immediate line below the last registered bidder.

(6) All the registered bids must kept safe by the chairperson of the Bid evaluation committee and invite the committee to start with the evaluation of the Bids within five (5) days of the closing date of the Bid.

### **Bid specification committee; (Demand Officer)**

(1) The process is based on the request for good/service from the end user department.

(2) The specification is compiled by the committee (which is not permanent) constituted as follows;



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- SCM Official
- End user manager or delegate
- Specialist Adviser (external) if necessary.
- At least three municipal officials

(3)The committee compiles the technical specification, terms of reference, bid special conditions of contract, methods of procurement s and goals i.e. PPPFA .

(4)The specifications are approved by the Accounting Officer, delegated official or the Bid Adjudication committee before any advert can be processed.

(5)The committee must meet every Tuesday of the week to consider the request from end user department.

(6)The process for the compilation of the Bid specifications takes 3 working days.

(7)The specifications are submitted in the Accounting Officer's office every Friday for approval.

(8)From Monday to Wednesday, tender section must finalize the bid document.

### **Bid Evaluation committee;**

(1) Bid Evaluation committee must within the closing day, start with the capturing of the bids as per stated evaluation checklist.

(2)The process takes a week to complete from the closing date of the bids.

Only bids submitted on or before the closing time and registered during the public opening will be considered in the evaluation process.

(3)Evaluation will be done according to the criteria as specified in the bid documentation.

(4)The bid evaluation committee must meet within five (5) working days after the closing date to start with the evaluation of the bids.

(5)The submission to the Bid Adjudication committee must be based on the bid evaluation committee report which must respond to;

#### 5.1 Compliance with the specification and conditions of the bid:

- Whether prescribed bid forms have been signed and completed.
- The necessary capacity and ability to execute the contract.
- Evaluation criteria as specified in the bid documentation.
- Declaration of interest



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- Status of municipal accounts

### **Bid Adjudication committee;**

(1)The committee must meet at least once per week or as and when need arise.

The committee meets to consider the items with the transactional value above R 30 000.00 (VAT Inclusive) or contract of over a year and the recommendations of the bid evaluation report.

(2)The agenda items for the bid adjudication committee meeting must be given to committee members at least 2 working days before the meeting.

(3)The agenda must contain minutes or records of the previous meeting which must be read, corrected and adopted by the committee and finally be signed by the secretary and the chairperson of the meeting.

(4)The committee is constituted as follows;

- The Chief Financial Officer or his delegate
- At least 3 senior managers
- Senior SCM Practitioner
- Committee Secretary

(5)The decisions of the committee must be communicated to the relevant divisions within three working days by the secretary of the committee as follows;

(6)Decisions that require orders must be forwarded to the incumbent with that authority e.g Ass manager SCM, Budget and or Income & Expenditure to issue order within a day.

(7)Decisions that require appointment letters must be directed to the legal services.

(8)Acquisition management officer must start compiling weekly statistical report from the Bid Adjudication committee decisions.

(9)Bid result must be published in the municipal website.

### **Appointment of Consultant; (SCM Unit)**

(1)Consultants are appointed to help in wide range of issues such as policy advice,



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(2) Engineering services, construction supervision, financial services, environmental studies and identification, preparation and implementation of project.

(3) Consultants are engaged when the necessary skills and resources are unavailable.

(4) Consultants are appointed by means of a formal contract.

(5) Various methods are usually followed to appoint consultants depending on the circumstance of a particular case;

- Quality and cost Based selection (Q C B S)
- Quality Based selection
- Selection under a fixed budget
- Least –cost selection
- Single – source selection
- Selection Based on consultants' qualification
- Selection of individual consultants
- Selection of particular types of consultant e .g NGOs, Banks, Auditors etc
- Association between consultants for one contract

The prescripts of the PPPFA must be adhered to when we appoint consultant.

Invitation of Bids / proposals using QCBS;

(1) Prepare clear Terms of Reference which includes objectives, goals and scope of work.

NB. This must be done by the Bid specification committee.

(2) Request for proposals (R F Ps) should be done through letter of Invitation and

(3) Information to consultants (to enable consultants to prepare responsible proposals).

(4) The R F Ps should allow for not less than four weeks or no more than three months

(5) The evaluation of bids / proposals must be done within the ambit of the PPPFA, 2001 on the basis of functionality, price and other specified RDP objectives.

(6) The specification are in the Accounting Officer may negotiate the contract with successful bidder around the Terms of References, methodology, staffing and special conditions of contract.

(7) Contracts are awarded to the bidder with the highest score after adjudication committee has made a recommendation to the accounting officer.

(8) For all values of work above R200 000 or long term contracts that exceed one year, consultant must be appointed through competitive bidding process.





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(9) Contract is negotiated six month in advance before it expires and restarts the process.

### Reporting

(1) The report must be compiled of all awards by the Bid Adjudication committee within ten (10) working days of the end of each month to the Accounting officer.

### 54. UNAUTHORISED EXPENDITURE

Unauthorised expenditure: means any expenditure incurred by a municipality otherwise than in accordance the approved budget and includes overspending of the total amount appropriated in the municipality's approved budget; and overspending of the total amount appropriated for a vote in the approved budget. This must be dealt with in accordance with MFMA and circular 68 to be added

### 55. Legislative framework

Section 32 of Municipal Finance Management Act, provides a framework for identification and dealing with unauthorised, irregular or fruitless and wasteful expenditure.

### Objectives

The objective of this policy and procedures is to:

- (1) provide for measures to identify unauthorised, irregular or fruitless and wasteful expenditure;
- (2) provide for frameworks to avoid of any irregular expenditure or any fruitless and wasteful expenditure;
- (3) provide for recovery of irregular expenditure or any fruitless and wasteful expenditure;
- (4) to provide for reporting on any irregular expenditure or any fruitless and wasteful expenditure.



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### **56. Identification of unauthorised, irregular or fruitless and wasteful expenditure**

#### **Unauthorised Expenditure**

(1) Unauthorised expenditure is any expenditure incurred by a municipality, for which no appropriation was made in terms of the approved budget, and / or in excess of the limits of the amount appropriated for in the municipality's approved budget or different votes in an approved budget, shall be regarded as unauthorised expenditure.

(2) The mayor shall in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

(3) Such expenditure shall not exceed thresholds as stipulated in the municipality's Budget and Reporting Policy; and must be reported by the mayor to the municipal council at its next meeting; and must be appropriated in an adjustments budget which must be passed within 60 working days of after the expenditure was incurred.

(4) If the adjustment budget in which the unforeseeable and unavoidable expenditure was appropriated is not passed within 60 working days after the expenditure was incurred, such expenditure shall be regarded as unauthorised.

### **57. Irregular or Fruitless and Wasteful Expenditure**

Irregular or Fruitless and Wasteful Expenditure shall be any expenditure that is incurred for which no benefit is received by the municipality and would have been avoided had reasonable care been exercised.

### **58. The treatment of unauthorised, irregular or fruitless and wasteful expenditure**

(1) Where unauthorised, irregular or fruitless and wasteful expenditure is identified and discovered, details must be recorded in the appropriate register and the Municipal Manager or his/her delegate must immediately report in writing to the Mayor, MEC for Cooperative



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Governance and Traditional Affairs, the Provincial Treasury and the Auditor-General as follows:

- a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
  - b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
  - c) the steps that have been taken to recover or rectify such expenditure; and prevent a recurrence of such expenditure.
2. The Municipal Manager must take appropriate steps in terms of section 32(2) of Municipal Finance Management Act to recover the amount.
  3. If the amount is irrecoverable, the Council may write-off debt in terms of Treasury regulations,
  4. The amounts written off in terms of treasury regulations must be disclosed in the Annual Financial Statements of the municipality.
  5. The register must be updated accordingly according to the various outcomes of the above processes.

### **59. Consequences for irregular or fruitless and wasteful expenditure**

(1) If the Municipal Manager becomes aware that the council, the mayor or the executive committee has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the Municipal Manager is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the Municipal Manager has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

(2) The Municipal Manager is liable for unauthorised expenditure deliberately or negligently incurred by him/herself.



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(3) If a political office-bearer of the municipality knowingly or after having been advised by the Municipal Manager that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure; such political office-bearer is liable for the expenditure.

(4) Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular or fruitless and wasteful expenditure, is liable for that expenditure.

### **60. Accounting allocation of unauthorised, irregular or fruitless and wasteful expenditure**

(1) If the unauthorised, irregular and fruitless and wasteful expenditure is found to be recoverable from the responsible official in full or in part, a debt must be recorded on the accounting systems by way of journal entry.

(2) The procedure for recording such journal entry shall be in accordance with the municipality's approved accounting journal entries policy.

(3) In cases where the debt or part thereof become irrecoverable after the initial recognitions, such irrecoverable amount shall be written off by the Accounting Officer and an adjustment journal be passed against the debt in the accounting system.

### **61. Non Responsive tenders**

Correction of arithmetic errors must be dealt with in terms of the CIDB requirements.

### **62. Sub-contracting**

Any bidder who has been awarded a tender shall appoint a sub-contractor with 25% of the project value. A local (within Makhuduthamaga area) contractor is not obliged to 25% subcontracting. A bidder who made a joint venture with local contractor is not obliged to 25% subcontracting.



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63. Management of expansion or variation orders against the original contract.

Contracts may be expanded or varied by not more than 20% of construction related goods, Services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Anything beyond the above mentioned thresholds must be reported to council.

Any expansion or variation in excess of these thresholds must be dealt with in terms of the provision of section 116(3) of the MFMA which will be regarded as an amendment to the contract.

The content of the above paragraph are not applicable to transversal term contracts, facilitated by the relevant treasuries on behalf of Municipalities and specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.