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“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.

or a municipal entity; and

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

Adoption and amendment of the supply chain management policy

3. (1) The accounting officer must -

- (a) At least annually review the implementation of this Policy; and
- (b) When the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the **Council**.

(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-

- (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) 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.

Delegation of supply chain management powers and duties

4. (1) The **Council** hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer -

(a) To discharge the supply chain management responsibilities conferred on accounting officers in terms of -

- (i) Chapter 8 or 10 of the Act; and
- (ii) This Policy;
- (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, favoritism and unfair and irregular practices in the implementation of this Policy; and
- (d) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

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

- (b) The name of the person to whom the award was made; and
- (c) The reason why the award was made to that person.
- (4) A written report referred to in subparagraph (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 financial officer or the senior manager responsible for the relevant bid, in the case of an award by -
 - (i) manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (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 paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

- (1) The **Council** reserves its right to maintain oversight over implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must -
 - (a) (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
 - (iii) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report **to the Council**.
- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the **mayor**.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

0. 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

System of demand management

0. (1) 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.

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;

b) Take into account any benefits of economies of scale that may be derived in case of acquisitions of a repetitive nature; and

c) Provide for the compilation of the required specifications to ensure that its needs meet the planning and management process..

d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximised.

- (a) Lower, but not increase, the different threshold values specified in subparagraph (1); or
 (b) Direct that -

- (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R 300;
 - (ii) formal written price/ verbal quotations be obtained for any specific procurement of a transaction value higher than R300 but lower than R10 000; or
 - (iii) formal written price quotations be obtained for any specific procurement of a transaction value higher than R10 000 but lower than R30 000
 - (iv) a competitive bidding process be followed for any specific procurement of a transaction value over than R200 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, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

(4) The range of procurement processes set out in paragraph 12(1) above can graphically be set out as follows:

PROCESS	VALUE	ADVERTISEMENT
Petty Cash Purchases	Up to R 300 [VAT included]	No
Written/verbal Quotations	Over R3 00 [VAT included] up to R 10 000 [VAT included]	No
Written Quotations	Over R10 000 [VAT included] up to R 30 000 [VAT included]	No
Formal Written Price Quotations	Over R 30 000 [VAT included] up to R 200 000 [VAT included]	Yes
Competitive Bidding	Over R 200 000 [VAT included] or Long Term Contracts exceeding one [1] year	Yes

General precondition for consideration of written quotations or bids

(3. A written quotation or bid may not be considered unless the provider who submitted the quotation or bid -

a) Has furnished that provider's-

- (i) full name;
- (ii) identification number or company or CK;
- (iii) Valid and original tax clearance certificate and VAT registration number, if any;

Petty cash purchases

15. 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) Petty cash resides in Financial Services;
- (b) Excludes subsistence and travel claims; and
- (c) A monthly reconciliation report from dedicated officials must be provided 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.

Written or verbal quotations

16. 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**, 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)(b) and (c) of this Policy;
- 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.

Formal written price quotations

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

- a) Quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the **municipality**;

Competitive bids

19. (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 this Policy.

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

Process for competitive bidding

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

- a) Compilation of bidding documentation as detailed in paragraph 21;
- b) Public invitation of bids as detailed in paragraph 22;
- c) Site meetings or briefing sessions as detailed in paragraph 22;
- d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- e) Evaluation of bids as detailed in paragraph 28;
- f) Award of contracts as detailed in paragraph 29;
- g) Administration of contracts
 - (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement / service level agreement
- h) Proper record keeping
 - (i) Original/ legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Documentation for competitive bids

The criteria to which bid documentation for a competitive bidding process must comply, must-
Take into account-

- (i) the general conditions of contract and any special conditions of contract, if specified;
- (ii) any Treasury guidelines on bid documentation; and

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.

Procedure for handling, opening and recording of bids

23. (1) 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-

(5) No amendments after the closing date allowed

The municipality is not entitled to amend any bid condition, validity period, specification or plan after the closing date of the bid and before the acceptance of a bid or quotation has been notified.

Negotiations with preferred bidders

24. (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) 10 minutes of such negotiations must be kept for record purposes.

Two-stage bidding process

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

Committee system for competitive bids

26. (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 17 of the Act; and

3) A bid specification committee must be composed of one or more officials of the **municipality**, preferably the en-user responsible for the function involved, and may, when appropriate, include external specialist advisors.

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

Bid evaluation committees

8. (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 valid, 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 in addition to members appointed by the accounting officer be composed of-

a) Officials from departments requiring the goods or services; and

b) at least one supply chain management practitioner of the **municipality**.

3) 50 + 1 of the members shall form a quorum.

Bid adjudication committees

9. (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.

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

Procurement of IT related goods of services

31. (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.

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

32. (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;
 - (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.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights of 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**.

35.2 .Engagement of Consultants

(a) Accounting Officers must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.

(b) Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the municipality.

(c) Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:

(i).determined in the "Guidelines on fees for audits done on behalf of the Auditor-General South Africa", issued by the South African Institute of Chartered Accountants (SAICA);

(ii) .set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA); or

(iii) Prescribed by the body regulating the profession of the consultant.

(d) Ensure an exacting "specification" of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded and monitored.

(e) Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, accounting officers must invoke such clauses, where deemed necessary.

(f) It is mandatory that accounting officers of municipalities conclude on the best "value for money", i.e. matching fees against quality and against benchmarked practices.

(g) Accounting officers of municipal must appoint consultants on a time and cost basis with specific start and end dates.

(h) Travel and subsistence costs for the appointment of consultants will be in accordance with the travel policy of government and the contract price shall specifies all travel & subsistence costs

(i) • If travel and subsistence costs for appointed consultants are exclusive of the contract, the costs must be in accordance with the following provisions:

Unsolicited bids

7. (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.

(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.

- (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 of Combating of Corrupt Activities Act (No12 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.

Par 9 Logistics, Disposal, Risk and Performance Management

Logistics management

9. 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, in 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.

- 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.

Performance management

- 2. 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.

Part 4: Other matters

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

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

Prohibition on awards to persons in the service of the state

- 44. 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**.

- 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 mayor of the municipality** who must ensure 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.
- (5) A breach of the code of ethics must be dealt with as follows -
- a) in 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.

Inducements, rewards, gifts and favours to municipalities, officials and other role players

47. (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

- (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.

Contracts providing for compensation based on turnover

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

Payment of sub-contractors or joint venture partners

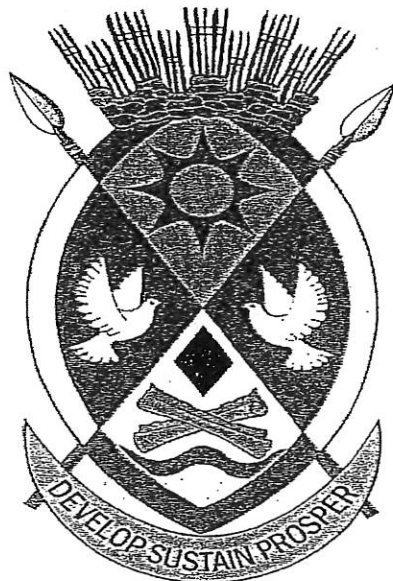
- 32. The chief financial officer or an official designated by the chief financial officer may consent to the direct payment of sub-contractors or joint venture partners by way of:
 - (a) an approved cession; or
 - (b) an agreement for direct payment.

Extending or varying a contract

- 33. (1) Subject to subsection (2), the municipality on its own initiative or upon receipt of an application from the person, body, organisation or corporation supplying goods or services to the municipality in terms of this policy, may resolve to extend or vary a contract if:-
 - (a) The circumstances as contemplated in paragraph 36[1][a] prevail; or
 - (b) With due regard to administrative efficiency and effectiveness, the accounting officer deems it appropriate.
- (2) The municipality may not extend or vary a contract:-
 - (a) More than once;

E M TUKAKGOMO
MUNICIPAL MANAGER

LEPHALALE LOCAL MUNICIPALITY



FIXED ASSETS POLICY

FIXED ASSETS POLICY

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FIXED ASSETS POLICY

PART 3 ROLE OF CHIEF FINANCIAL OFFICER

The chief financial officer shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the chief financial officer or by an official acting under the written instruction of the chief financial officer.

PART 4 FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- the location of the asset
- the department(s) or vote(s) within which the assets will be used
- the stand number, in the case of fixed property
- where applicable, the identification number, as determined in compliance with part 11 below

FIXED ASSETS POLICY

A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

PART 5 CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the chief financial officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

PROPERTY, PLANT AND EQUIPMENT

- land and Buildings (not held as investment assets)
- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community)
- heritage assets (culturally significant resources)
- other assets (ordinary operational resources)
- Intangible assets (assets which cannot be seen nor touch)

INVENTORY

- housing (rental stock or housing stock not held for capital gain)

INVESTMENT PROPERTY

- investment assets (resources held for capital or operational gain)

FIXED ASSETS POLICY

An expert valuer shall be engaged by the municipality to undertake such valuations.

If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – whereafter it shall be reclassified as an investment asset.

PART 7 FIXED ASSETS TREATED AS INVENTORY

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's statement of position.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

PART 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

FIXED ASSETS POLICY

In exercising this responsibility, every head of department shall adhere to any written directives issued by the chief financial officer to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

PART 11 IDENTIFICATION OF FIXED ASSETS

The chief financial officer shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the chief financial officer, acting in consultation with the municipal manager and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

PART 12 PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer,

FIXED ASSETS POLICY

No intangible item shall be recognised as a fixed asset, except that the chief financial officer, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed assets.

PART 15 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and commissioning costs.

PART 16 MAINTENANCE PLANS

Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand

FIXED ASSETS POLICY

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 19 DEPRECIATION OF FIXED ASSETS

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges shall be calculated monthly.

FIXED ASSETS POLICY

Except in those cases specifically identified in part 23 below, the chief financial officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

PART 22 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

Only the chief financial officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment.

The chief financial officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.

In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

FIXED ASSETS POLICY

Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the chief financial officer shall inform the council of the municipality of the decision in question.

PART 24 CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

NOTE: Part 24 has been prepared on the assumption that these reserves are allowed.

The chief financial officer shall ensure that in respect of all fixed assets financed from the municipality's asset financing reserve, or from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

The chief financial officer shall thereafter ensure that in the case of depreciable fixed assets an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred each month from such non-distributable reserve to the municipality's appropriation account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the chief financial officer shall appropriately

FIXED ASSETS POLICY

depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which be determined using fair value at the reporting date. (Par.34 of GRAP 17)

The fair value of items of land and buildings is usually determined from market based evidence by appraisal. The fair value of items of plant and equipment is usually their market value determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification. For many assets, the fair will be readily ascertainable by reference to quoted prices in an active and liquid market. For example current market prices can usually be obtained for land, non-specialised buildings, motor vehicles and many types of plant and equipment (Par.35 of GRAP 17)

Some assets, it may be difficult to establish their market value because of the absence of market transactions for these assets, some entities may have significant holdings of such assets (Par.36 of GRAP 17)

If there is no market evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly

FIXED ASSETS POLICY

Every head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the municipal manager, indicating the process of alienation to be adopted in accordance with Section 20 of the municipality's supply chain management policy.

The chief financial officer shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R50 000 (fifty thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the statement of performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the statement of performance of the department or vote concerned.

All gains realised on the alienation of fixed assets shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the

FIXED ASSETS POLICY

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

PART 30 REPLACEMENT NORMS

The municipal manager, in consultation with the chief financial officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

PART 31 INSURANCE OF FIXED ASSETS

The chief financial officer shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

FIXED ASSETS POLICY

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of department concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether, and such details shall reflect the information which the chief financial officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

The chief financial officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the council of the municipality considers such insurance desirable and affordable.

PART 33 ANNEXURE: FIXED ASSET LIVES**INFRASTRUCTURE ASSETS**

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

*	Electricity	
	Power stations	(30)
	Cooling towers	(30)
	Transformer kiosks	(30)
	Meters	(20)
	Load control equipment	(20)
	Switchgear	(20)

FIXED ASSETS POLICY

	Meters	(20)
*	Sewerage	
	Sewer mains	(20)
	Outfall sewers	(20)
	Sewage purification works	(20)
	Sewerage pumps	(15)
	Sludge machines	(15)
*	Pedestrian malls	
	Footways	(20)
	Kerbing	(20)
	Paving	(20)
*	Airports	
	Runways	(20)
	Aprons	(20)
	Taxiways	(20)
	Airport and radio beacons	(20)
*	Security measures	
	Access control systems	(5)
	Security systems	(5)
	Security fencing	(3)

COMMUNITY ASSETS

FIXED ASSETS POLICY

Jukskei pitches	(20)
Outdoor sports facilities	(20)
Organs (that is, pipe organs that are fixtures in a municipal hall or other centre)	(20)
Lakes and dams	(20)
Fountains	(20)
Flood lighting	(20)

Sum-of-units method of depreciation may be preferred.

HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)
- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

INVESTMENT ASSETS

It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each

FIXED ASSETS POLICY

	Nurseries		(30)	
	Office buildings		(30)	
	Old age homes		(30)	
	Quarries		(30) #	
	Tip sites		(30) #	
	Training centres		(30)	
	Transport facilities		(30)	
	Workshops and depots		(30)	
		Original	Assessed	Total
*	Office equipment	(5)		
	Computer hardware	(5)	(3)	(8)
	Computer software	(3-5)	(3)	(6-8)
	Office machines	(3-5)	(3)	(6-8)
	Air conditioners	(5-7)	(3)	(8-10)
*	Furniture and fittings			
	Chairs	(7-10)	(3)	(10-13)
	Tables and desks	(7-10)	(3)	(10-13)
	Cabinets and cupboards	(7-10)	(3)	(10-13)
*	Bins and containers			
	Household refuse bins	(5)	(3)	(8)
	Bulk refuse containers	(10)	(3)	(13)
*	Emergency equipment			
	Fire hoses	(5)		
	Other fire-fighting equipment	(15)		
	Emergency lights	(5)		