

WATERBERG DISTRICT MUNICIPALITY



PETTY CASH POLICY

Reviewed 21 May 2019

PETTY CASH POLICY

**WATERBERG DISTRICT MUNICIPALITY
APPROVED BY COUNCIL ON 30 MAY 2019**

Petty Cash Policy

1. Preamble

This policy is issued under the authority of SCM Regulation 15 Issued in terms of MFMA. It complements the SCM Policy and establishes a control framework for petty cash as an acquisition and payment instrument.

A petty cash float is used to facilitate and accelerate the processing of low value transactions with minor official expenditures. Minor expenditures are defined as less than R 500 unless authorised by the CFO. Due to inherent costs and time required to process financial transactions, it becomes practical, economical and recommended to use petty cash to process low value payments where the transaction cost (e.g. electronic transfer or cheque costs) is high.

2. Definitions

BTO	Budget & Treasury Office
Cashier	is the WDM cashier in the BTO or any other BTO official delegated in writing to manage petty cash.
CFO	Chief Financial Officer
HOD	Head of Department / S57 manager
Petty cash float	Is an authorised cash advance issued to an official or Councillor of the WDM who will be responsible for the security of the fund and the control of disbursements made from the fund.
WDM	Waterberg District Municipality
WDM Head Office	WDM Building in Harry Gwala Street

3. Scope of Application

3.1 This policy is applicable to all employees and Councillors of WDM.

4. Policy Objective

4.1 To ensure the cost-effective and efficient use of petty cash funds while maintaining the required level of control.

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5. Policy Statement

- 5.1 It is WDM's policy to use petty cash funds for making small miscellaneous payments herein called minor expenditure when immediate settlement is required or when this method of payment is more cost-effective.
- 5.2 A petty cash float shall not exceed R 5,000 and no single expenditure from that fund shall exceed R 500 per transaction without the prior approval of the CFO. The expenditure shall not be deliberately split to avoid the said limit.
- 5.3 The total amount of petty cash, in the form vouchers or cash, shall be counted (physical verification) in full at year end before closure of Revenue for the financial year and there should always be an amount equal to R 5,000. This is in line with the accrual basis of accounting.
- 5.4 If the cashier remains at WDM Head Office, all cash from tripe sales should be submitted daily to the BTO cashier at the Head Office and all payments to clients should be made via the BTO at the Head Office.
- 5.5 If the BTO cashier is moved to the abattoir premises, all cash receipts shall be done with the BTO cashier at the Abattoir and cash payments for tripe to a maximum of R 3,000 can be made by the cashier at the abattoir. Payments above R 3,000 should be submitted to WDM Head Office for payment.
- 5.6 If 5.5 become effective, the abattoir petty cash float can be increased to R 6,000.
- 5.7 Daily reconciliation of the abattoir receipts and payments (including tripe sales) with the cash amount should be submitted to BTO on a daily basis for checking, processing and banking.

6. Prohibited Petty Cash Payments

- 6.1 This policy must still be read in conjunction with other relevant policies and petty cash purchases should still adhere to the conditions of these other policies.
- 6.2 Petty cash advances must not be used to provide change, to give salary advances to employees or to cash cheques.
- 6.3 No personal use or check cashing from these funds is allowed. It shall be deemed an offense to use Petty Cash for private matters even if the intention is to repay.
- 6.4 Petty cash shall not pay for installment invoices such as rental or equipment or open orders even if the amount falls within the limit specified.
- 6.5 Departments are not allowed to have more than 5 petty cash purchases per month.

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Petty cash shall not be used for:

- 6.6 Energy drinks (e.g. Red Bull)
- 6.7 Petrol charges
- 6.8 Toll gate slips
- 6.9 Travel or any other salary claims
- 6.10 Assets

7. Authority and Reporting

- 7.1 The CFO or the delegated person must ensure the control and safekeeping of petty cash funds (including suitable locks, keys or combinations in accordance with the suitable cash handling regulations and policies.
- 7.2 Excesses, shortages, losses and thefts must be recorded and reported promptly to the CFO.
- 7.3 Reporting on the utilisation of the petty cash shall be reported to the CFO / delegate on a monthly basis.
- 7.4 The custodian of a petty cash fund shall give a reconciliation to the CFO / delegate within 5 working days or float replenishment of the end of each month in which expenditures are incurred showing that the cash on hand plus receipts, less paid vouchers equals the amount of the advance.
- 7.5 In certain cases it is not possible or economically viable to procure goods and services through written quotation or competitive bidding processes. This situation will arise where the total costs of engaging in written quotations or competitive bidding far outweighs the value of the item(s) or services being sought. This situation is envisaged for items or services below R 500 VAT inclusive only. Only Heads of the departments may authorise petty cash processes and payments. This mechanism might also be utilised in an emergency situation where the total value of the goods or services is below R 2 000, subject to authorised process being followed in which case only the MM may authorise such a transaction.

8. Monitoring

- 8.1 The Municipal Manager may conduct internal audits to evaluate compliance with this policy.
- 8.2 Periodic unannounced verifications of the petty cash advances should be made by internal audit to determine whether the funds are being used properly and to ensure that they are adequately protected against loss or misuse and are properly accounted for.

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- 8.3** The Municipal Manager will monitor the effectiveness of this policy by reviewing Internal audit reports.
- 9. Accounting and control**
- 9.1** Petty cash must be used when it is more cost-effective than other payment methods such as electronic transfer or cheques within the ambit of this policy.
- 9.2** Before establishing or increasing petty cash funds, the Divisional Manager: Expenditure must ensure that the security and safekeeping arrangements are commensurate with the risk of theft and the size of the petty cash fund.
- 9.3** There must be only one official, with one backup, delegated by the CFO responsible for a petty cash fund at any given time. Only these two persons should be allowed access to the cash in this fund. When the official is being changed, an acknowledgement must be obtained.
- 9.4** When disbursements are not made frequently, the custodian should check the petty cash fund at least once a week to ascertain that no theft has taken place.
- 9.5** If a shortage is discovered, it must be reported promptly to the CFO who, after reviewing the circumstances of the case, shall, in consultation with the Municipal Manager, take whatever corrective or recovery action is necessary.
- 9.6** The custodian is required to reimburse losses and shortages unless the prescribed procedures were followed and the petty cash was properly secured; there is physical evidence of breaking-in and no act or omission on the part of the custodian contributed to the loss, as stipulated by the policy.
- 10. Safekeeping and advancing of the Petty Cash**
- 10.1** The petty cash fund should be kept separately from other funds and to be safeguarded in lockable cash box which should be kept locked not only after hours but also during normal business hours in a safe or a filing cabinet approved by the CFO. Keys and combinations should be kept in a secure place by the custodian.
- 10.2** All purchase requirements utilising petty cash shall be approved by the relevant Senior Manager on the petty cash expenditure voucher and advance voucher.
- 10.3** An official to whom a petty cash advance is issued is personally responsible and any loss or shortage in respect of that advance may be recovered from that individual.
- 10.4** A Petty Cash Advance Voucher will be required before issuing an advance indicating the amount requested and the reason for the purchase, items to be purchased and authorized by the departmental HOD (the template is attached to this policy).

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10.5 A Petty Cash Expenditure Voucher will be required to finalize the procurement indicating the amount and items purchased, the vote number to be paid from and authorization by the departmental HOD and BTO (the template is attached to this policy).

10.6 All expenditures must have a properly filled out petty cash expenditure voucher with original invoices or receipts attached. Once paid, these supporting documents must be stamped "paid" to prevent re-use. No payment will be made for lost receipts or invoices.

10.7 The voucher and proof of expenditure has to be submitted to cashier within 3 working days of incurring the actual expenditure or receiving the advance. Failure to claim within this period will result in the expenditure being forfeited. If the money was advanced and the claim expires, the amount will be recovered from the responsible individual's salary.

10.8 Repayment of all or part of a petty cash advance that has to be reimbursed must be made in full by the custodian in a single payment.

10.9 When the official delegated by the CFO issues a petty cash advance, he or she may at any time, by written notice to the official to whom the advance has been made, require an accounting and repayment of any unexpended balance. The custodian shall, not later than 2 days after receiving such notice, provide an accounting and repay the advance.

10.10 Petty cash will be issued Mondays to Fridays between the hours of 8h00 to 15h00 and reconciliation of petty cash will take place every Friday afternoon.

10.11 Replenishment of the petty cash fund can be done by the delegated official when the fund balance reaches the minimum of R 500.

11. Legislation

This policy is issued under the authority of section 15 of SCM Regulations and should be read in conjunction with the Supply Chain Management Policy.

Section 15 of the Supply Chain Regulations requires the following:

A supply chain management policy must stipulate the conditions for the procurement of goods by means of petty cash purchases referred to in regulation 12 (1)(a), which must include conditions -
(a) determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;

This responsibility is not delegated at WDM and remains with the S57 manager.

(b) limiting the number of petty cash purchases or the maximum amounts per month for each manager;

Refer to section 6.4 of this policy - Departments are not allowed to have more than 5 petty cash purchases per month.

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- (c) *excluding any types of expenditure from petty cash purchases, where this is considered necessary; and*

Refer to section 6 of this policy for list of prohibited petty cash expenditure.

- (d) *requiring monthly reconciliation reports from each manager 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.*

This exercise is currently performed by the cashier, but may be delegated to HODs by the Municipal Manager.

12. Implementation

This policy must be implemented by all employees and councillors of WDM, but managers and supervisors should ensure that this policy is implemented effectively.

Deviation from the accepted accounting practices in the use of Petty Cash shall constitute a serious offense under the Disciplinary Code. Any employee who breaches this policy shall be liable for disciplinary measures.

13. Policy review

This policy will be reviewed annually and revised when necessary.

Adopted by Council at its meeting held on 2019

per Council Resolution Number

Signed at on 2019

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Municipal Manager





F

PETTY CASH EXPENDITURE VOUCHER

DATE : _____

DOC NO : _____

I, _____ hereby request a reimbursement from
Budget and Treasury.

AMOUNT

R _____ (_____)

For the purchasing of the following items : (Cash Slips Attached).

ITEM	VOTE NO	FOR OFFICE USE ONLY	TAX
		AMOUNT	
TOTAL			

Approved by Manager: _____

Signature

Date

Approved by Fin Services: _____

Signature

Date

Received by: _____

Signature

Date

PETTY CASH POLICY

PETTY CASH ADVANCE VOUCHER

REQUEST FOR PETTY CASH ADVANCE		
NAME:		
DEPT:		
ITEM:		
DATE:		
R		
HOD APPROVAL:		

SUPPLY CHAIN MANAGEMENT POLICY

Effective Date 1 July 2019

Council Approved Date 30 May 2019

**WATERBERG
DISTRICT MUNICIPALITY**



**Supply Chain Management Policy
Reviewed
21 May 2019**



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Abbreviation

AO	Accounting Officer (Municipal Manager)
BAC	Bid Adjudication Committee
BBBEEA	Broad Based Black Economic Empowerment Act (Act 53 of 2003).
BVA	BEE Verification Agency
BEC	Bid evaluation committee
BSC	Bid Specification Committee
CCA	Closed Corporations Act, Act No 69 of 1984
CIDB	Construction Industry Development Board
CFO	Chief Financial Officer
EME	Emerging Micro Enterprize
HDI	Historically Disadvantaged Individual
HOD	Head of Department (S57 manager)
IRBA	Independent Regulatory Board of Auditors
IFMS	Integrated Financial Management System
MFMA	Municipal Finance Management Act, 2003 (Act 56 of 2003) ("the Act")
NT	National Treasury
PPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
PPR	Preferential Procurement Paragraphs, 2011
PSP	Professional Service Provider
PT	Provincial Treasury
QSE	Qualifying Small Enterprise
RFI	Request for Information
RFQ	Request for Qualification
SANAS	South African National Accreditation System
SARB	South African Reserve Bank
SARS	South African Revenue Services
SASAE	South African Standard on Assurance Engagements
SCM	Supply Chain Management
SCP	Supply Chain Procedures
SITA	State Information Technology Agency
SARS	South African Revenue Services
SABS	South African Bureau of Standards
SMME	Small Medium and Micro Enterprise
TOR	Terms of Reference
WDM	Waterberg District Municipality

List of Definitions

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the MFMA and/or the procurement paragraphs has the same meaning as in the MFMA and/or the procurement paragraphs, and: -

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

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

“BBBEE Act” – refers to the Broad Based Black Economic Empowerment (Act 53 of 2003);

“B-BBEE status level of contributor” means the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Bid” – (or tender) means a written offer in a prescribed or stipulated form in response to and in consonance with the invitation by the Waterberg District Municipality's requirements, either for the provision of services, works or goods, or in compliance with the specifications and conditions of the bid as set out in the procurement document. For the purpose of, and throughout, this policy the term “Bid” shall be equivalent to and be used interchangeably with “Proposal” and “Tender”, particularly when referring to the procurement of consultants;

“Bidder” – (or tenderer) refers to an eligible contractor, manufacturer, supplier, distributor and/or consultant competing for an award of a contract in the WDM. A contractor, manufacturer, supplier, distributor and/or consultant is said to be eligible if it meets all the eligibility requirements issued by the WDM;

“Bid Committees” – refers to the Specification Committee, Evaluation Committee and Adjudication Committee. The Adjudication Committee is responsible for adjudicating the award of bids on the basis of the recommendation (evaluation report) submitted by the Evaluation Committee based on bids developed by the Specification Committee. For the purpose of and throughout this policy, the term “Bid Committees” shall be equivalent to and be used interchangeably with “the “Committee System”, particularly when referring to the competitive bidding process;

“Black designated groups” has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Black people” has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;

“CIDB Register of Projects” - In terms of Act 38 of 2000, the Construction Industry Development Board (CIDB) must establish a Register of Projects that gathers information on the nature, value and distribution of projects and provides the basis for a best practice project assessment scheme to promote the performance of public and private sector clients in the development for the construction industry.

“Co-operative” means a co-operative registered in terms of section 7 of the Co-operatives Act, 2005 (Act No. 14 of 2005)

“Competitive bidding” – means competitive bidding process as envisaged by the SCM Paragraphs;

“Competitive bid” - means a written offer on the prescribed forms in response to a published invitation by the Municipality and in compliance with paragraph 12(1) (d) of MFMA for the submission of offers in respect of the provisioning of goods or services;

“Consultant” - means a natural or juristic person or partnership who or which, as an independent contractor, provides any of the following services on an ad hoc basis to the WDM against remuneration:

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

“Contract” - means the agreement that results from the acceptance of a quotation or bid by the Municipality;

“Cost Effectiveness” – means cost effectiveness as envisaged by the Framework for SCM Paragraphs;

“Construction Works”- a construction works contract means a contract for the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset, including building and engineering infrastructure.

“Control” - the possession and exercise of legal authority and power to manage the assets, goodwill and daily operations of a business and the active and continuous expertise of appropriate managerial authority and power in determining the policies and directing the operations of the business.

“Councillor” - means a member of a municipal council.

“Designated group” means-

- (a) black designated groups;
- (b) black people;
- (c) women;
- (d) people with disabilities; or
- (e) small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996);

“Designated sector” means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;

“Disability” - means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being;

“EME” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Equitable” – means equitable as envisaged by the Framework for SCM Paragraphs;

“Evaluation Committee” – refers to evaluation committees as appointed by the accounting officer. The evaluation committees are responsible for assessing bids with a view to submitting a recommendation (evaluation report) to the Adjudication Committee for the award of the contract to the preferred bidder;

“Fair” – means fair as envisaged by the Framework for SCM Paragraphs;

“Final award” - means the final decision on which bid or quote to accept and conclude a contract;

“Formal written price quotation” - means a written offer made on the prescribed forms by a supplier or service provider in response to a request from the Municipality and in

compliance with the prescribed thresholds in this policy, the price should be fixed, considering price fluctuations where applicable;

“Functionality” means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents;

“Goods & Services” – refers to all items, supplies, materials and general support services, except consulting services and infrastructure projects, which may be needed in the transaction of the WDM's business or in the pursuit of any municipal undertaking, project or activity;

“Head of Department” - means manager referred to in section 78 of MFMA;

“HDI” – “Historically Disadvantaged Individual (HDI)” – means a South African Citizen (1) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or (2) Who is a female; and/or (3) Who has a disability; Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI;

“Imported content” means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock duties, import duty, sales duty or other similar tax or duty at the South African port of entry;

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

“Infrastructure” - projects include construction, improvement, rehabilitation, demolition, repair, restoration, or maintenance of buildings and engineering works included in the provision of municipal services and other related construction projects of the WDM as envisaged in the Construction Industry Development Board Act 38 Of 2000. For the purpose of, and throughout this policy, the term “infrastructure” shall have the same meaning as and shall be used interchangeably with “with Building or Engineering Works and Construction or Maintenance Projects”;

“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;

“List of accredited prospective providers” - means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of section 21, 28,29 &35 of this policy;

“Local content” means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place;

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

“MFMA or the Act” – refers to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

“Military veteran” has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

“Multiple Source limited bidding”- Limited competition hence only a few prospective service providers are allowed to make a proposal but this should be based on a thorough analysis of the market.

“Municipality” - means the Waterberg District Municipality (WDM);

“Municipal Manager” - means a person appointed in terms of section 82(1) (a) or (b) of Local Government: Municipal Structures Act (Act no 117 of 1998) and who is the head of administration and also the accounting officer for the Municipality;

“National Treasury” has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

“Order” - means an official instruction, processed and printed on the Municipality's official order form, which is issued to a successful tenderer to supply goods or services in accordance with the accepted price quotation or tender;

“Organ of state” - means an organ of state as defined in section 239 of the Constitution.

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

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

“People with disabilities” has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);

“Person” - includes reference to a juristic person;

“PPPFA” – refers to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);

“Preferred bidder”- means any bidder who during the evaluation process scores the highest points and/or is recommendable for appointment.

“Preferential Procurement Paragraphs” - means the paragraphs to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) issued by the Minister of Finance on 20 January 2017.

“Price” includes all applicable taxes less all unconditional discounts;

“Privileged or confidential information” means any information:

- a) determined by the bid specification, evaluation or adjudication committee to be privileged or confidential;
- b) discussed in close sessions by any of the bid committees;
- c) disclosure of what would violate a person's right to privacy;
- d) declared to be privileged, confidential or secret in terms of any legislative framework.

“Procurement Delegations” – refers to the Procurement delegations issued by the Accounting Officer in terms of section 79 and 106 of the MFMA. This includes Sub-delegations system.

“Procurement Documents” – refers to the procurement documentation distributed to prospective bidders during the solicitation of bids from bidders. The Procurement Documents contain the information required for bidders to submit their bids to the WDM.

“Proof of B-BBEE status level of contributor” means-

- (a) The B-BBEE status level certificate issued by an authorised body or person;
- (b) A sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or

- (c) Any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;

“Prospective provider or Supplier Register” refers to the database of accredited prospective provider/suppliers established in terms of paragraph 14 from whom bid offers will be requested.

“QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Rand value” means the total estimated value of a contract in Rand denomination which is calculated at the time of inviting price quotations or bids, and includes all applicable taxes and excise duties.

“Responsive Bid” one that conforms to all items, conditions, and specification of the bid documents without material deviation or qualification.

“Requisition” means the official request for the procurement of supplies or services which is submitted on the prescribed form, accompanied by the specifications or terms of reference according to which price quotations or bids are to be invited.

“Rural area” means-

- (a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or
- (b) an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;

“Scope of Work” - means procurement document that specifies and describes the supplies, services, or engineering and construction works, which are to be provided, and any other requirements and constraints relating to the manner in which the contract work is to be performed.

“Scoring models” – refers to the scoring models used to evaluate bids. Scoring models apply the evaluation criteria identified in the Procurement Documents to competitive bids.

“Service providers”

- a) **“Professional Service Provider”:**
Any person or body corporate that is under contract to the Employer for the provision of Professional Services.
- b) **“General Service Provider”:**

Any person or body that is under contract to the Employer for the provision of any type of service.

“Single source bidding” – Based on a thorough analysis of the market and use a transparent and equitable pre-selection process, to request only one amongst a few prospective service providers to make a proposal.

“Small, Medium and Micro Enterprise (SMME)” - means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule of the National Small Business Act, 1996 (Act No. 102 of 1996) and which can be classified as a micro- a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3,4 and 5 of the Schedule opposite the smallest relevant size or class as mentioned in column 2 of the Schedule;

“Sole source bidding” – There is no competition and only one bidder exists, e.g. sole distribution rights.

“SCM Unit” – refers to the WDM’s Supply Chain Management Unit that falls under the auspices of the Chief Financial Officer (CFO).

“SCM Directives” – refers to the SCM Directives maintained by the SCM Unit in WDM. The SCM Directives constitute instructions to the WDM that address key decision points and contentious issues in procurement and other phases of the SCM system. The Directives are dynamic. The SCM office communicates new and updated Directives via SCM Circulars.

“SCM Paragraphs” – refers to the Paragraphs in terms of the Municipal Finance Management Act, 2003: Framework for Supply Chain Management (Government Gazette Number 27636 on 30 May 2005).

“SCM Standard Operational Procedures” – means Procedures that translate SCM Delegations and SCM Directives into the day-to-day procedures required to manage demand, acquisition, logistics, disposal; risk and performance in the SCM system;

“Stipulated minimum threshold” means that portion of local production and content as determined by the Department of Trade and Industry;

“Supplier” – refers to any supplier of works, goods and services (professional and other) to the WDM.

“Township” means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

“Transparent” – means transparent as envisaged by the Framework for SCM Paragraphs.

“Treasury” – means National Treasury.

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

“Written or verbal quotations” means quotations referred to in paragraph 12(1) (b)

“Youth” has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

Preamble

Introduction

The Supply Chain Management (SCM) Policy of the Waterberg District Municipality sets a framework for meaningfully managing, monitoring and reporting of procurement activities and provides the procedures to be followed in procurement. The SCM policy is located within the South African legislative framework. The laws that are currently applicable include: the Constitution of the Republic of South Africa (Act 108 of 1996), the Preferential Procurement Policy Framework Act (Act 5 of 2000) and the Local Government: Municipal Systems Act (Act 32 of 2000), Local Government: Municipal Finance Management Act (Act 56 of 2003) and the Broad Based Black Economic Empowerment Act (Act 53 of 2003).

The principles of this policy are those set out in the legislative frameworks mentioned above in particular that of realizing value for money and good governance and ensuring cost effectiveness and competitive equitable, transparent and fair access to procurement opportunities to all. The SCM policy forms part of the overall business systems of the WDM and will be supported by specific procurement systems aimed at improving both procurement and overall business performance.

Mandate

Section 111 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and SCM Paragraphs mandates the Waterberg District Municipality to develop, implement and maintain a procurement and provisioning system as part of the Supply Chain Management (SCM) system.

The SCM gives effect to Section 217(2) of the Constitution of the Republic of South Africa, (Act No. 108 of 1996) which mandates the Municipality as an organ of state to implement a preferential procurement policy in accordance with a nationally prescribed framework, the Preferential Procurement Policy Framework Act (Act 5 of 2000).

Purpose of the SCM Policy

As an organ of state, the Waterberg District Municipality has a duty to ensure that all the legislative requirements are satisfied. Accordingly, all procurement policies (including those addressing preferential procurement), procedures and practices must be consistent with these requirements, in particular Part 1 of Chapter 11 and other provisions of the MFMA.

The purpose of this policy is:

- (a) To provide a policy according to which the Municipality will procure goods and services; dispose goods; and letting of assets in a manner that is fair, equitable, transparent, competitive and cost effective.
- (b) To provide a system for managing demand, acquisition, logistics, disposal, risk and performance.
- (c) To promote local public administration system in terms of Chapter 7 of Municipal Systems Act and Municipal Finance Management Act, Promotions of Access to Information Act, (Act 2 of 2000, and Promotion of Administrative Justice Act (Act 3 of 2000).
- (d) To comply with the Paragraphs, norms and standards that may be prescribed in terms of section 168 of MFMA and other applicable legislation.
- (e) To promote economic policies concerning investments and doing business with the public sector.

Scope and Application of the Policy

1. This policy is applicable to the entire Waterberg District Municipality employees and must be strictly adhered to. The policy provides a uniform procurement approach applicable to:
 - (a) General goods and services (provisioning);
 - (b) Consulting services (from built environment and other consultants)
 - (c) Construction in line with the Construction Industry Development Board prescripts and National Treasury;
 - (d) Property (leasing);
 - (e) Disposal of redundant assets as per asset management policy;
 - (f) Selection of contractors to provide assistance in the provision of municipal services other than in circumstances where Chapter 8 of the Municipal Systems Act applies;
 - (g) Selection of external mechanisms for the provision of municipal services as 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 the MSA.
2. Within the context of the Supply Chain Management the policy covers the whole process from needs identification to contract closure.
3. The application of the policy is further supported by specific legislation, including but not limited to the following:

- (a) The procurement of information technology and related services. Such procurement must be performed according to the provision of State Information Technology Agency Act (Act 88 of 1998). As per Section 7(g) of the Act, the State Information Technology Agency is empowered to act as a procurement agency in respect of information technology requirements in accordance with state procurement policy regarding the provision of data processing services, training, application software development and maintenance services, technical, functional and business advice and support, and related management services.
 - (b) Public Private Partnership, which must be procured in accordance with Municipal Investment and PPP paragraphs - Gazette number 27431, 1 April 2005 Paragraph issued in terms of MFMA.
 - (c) Procurement and disposal of arms.
4. This policy, except where provided otherwise, does not apply in respect of procurement of goods and services as contemplated in section 110(2) of the MFMA, where the WDM procures from another organ of state including water and electricity from Department of Water Affairs or Eskom respectively, or other public entity, municipality or municipal entity.

Legislative Framework

Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)

Section 217(1) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) provides the basis for procurement and determines that:

"When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective".

This section of the Constitution establishes the overarching procurement framework, namely that procurement must be:

- Fair;
- Equitable;
- Transparent
- Competitive; and
- Cost effective.

Section 217(2) of the Constitution establishes South Africa's preferential procurement policy, namely that:

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

- a. Categories of preference in the allocation of contracts; and
- b. The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

Section 217(3) of the Constitution (as amended) confers an obligation for national legislation to prescribe a framework providing for preferential procurement to address the social and economic imbalances of the past, viz;

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

Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) (PPPFA).

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

The PPPFA requires organs of State to determine their preferential procurement policies and implement it within a framework prescribed in the Act. The Framework provided by the Act requires that a preference point system must be followed:

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

The PPPFA awards tender points for attaining a BBEE status level of contributor will be in accordance with the table below:

BBBEE Status Level of Contributor	Number of Points - 80/20	Number of Points - 90/10
1	20	10
2	18	9
3	14	6
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non-compliant contributor	0	0

No referencing outside of the points system is permitted. This in practice means that tenderers who obtain the highest number of points can only have their tenders rejected should they:

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

Paragraphs pertaining to the PPPFA, the Preferential Procurement Paragraphs 2017 were published in Government Gazette No. 40553 dated 20 January 2017.

Municipal Finance Management Act (Act 56 of 2003)

A Policy Strategy to Guide Uniformity in Procurement Reform Processes in Government was approved by Cabinet in September 2004 as a strategy to point out the direction that Government is moving towards in the implementation of Supply Chain Management within Government. This strategy is intended to guide the uniform implementation of Government's procurement reform initiatives as well as the issuing of Paragraphs in terms of the Municipal Finance Management Act (Act 56 of 2003) in respect of the Framework for Supply Chain Management.

The MFMA requires the Municipality to have and implement a Supply Chain Management Policy. The Supply Chain Management Policy must be in accordance with Section 217 of Act 108 of 1996. The Act further requires that the Municipal Manager as Accounting Officer to ensure that the Municipality has and maintains a Supply Chain Management Policy.

Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)

The WDM is committed to black economic empowerment and the advancement of historically disadvantaged individuals. It will, therefore, at all times apply the provisions of the Preferential Procurement Policy Framework Act and the Paragraphs issued in terms of that Act when goods and services are procured.

In determining the preferential procurement policy, the Waterberg District Municipality supports the provisions of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) and the related codes of good practice to be issued by the Minister of Trade and Industry. The Waterberg District Municipality therefore acknowledges that Preferential Procurement Policy will be reviewed accordingly as soon as the Broad-Based Black Economic Empowerment codes are developed.

These procurement policies have been drafted around the philosophy and content of the Municipal Finance Management Act i.e. to allow "managers to manage and be held accountable", while councillors are provided with information necessary to set overall policy and priorities for the Municipality.

CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICIES

Supply chain management policies

2. (1) The Waterberg District Municipality resolves in terms of section 111 of the Act have and implement a supply chain management policy that –
 - (a) gives effect to –
 - (i) Section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the regulatory framework prescribed in Chapter 2 of these Paragraphs; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) No municipality may act otherwise than in accordance with its supply chain management policy when -
 - (a) procuring goods or services;
 - (b) disposing of goods no longer needed;
 - (c) selecting 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) in the case of a municipality, selecting external mechanisms referred to in section 80(1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of the Act.
- (3) Sub-paragraphs (1) and (2) do not apply in the circumstances described in section 110(2) of the Act except where specifically provided otherwise in this policy.

Adoption and amendment of supply chain management policies

3. (1) the accounting officer must –
 - (a) at least annually review the implementation of the policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of the policy to the council.
- (2)
 - (a) If the accounting officer submits a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with Municipal Supply Chain Management Paragraphs.
 - (b) The accounting officer must 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.
- (4) The accounting officer of a municipality must in terms of section 62(1) (f) (iv) of the Act, take all reasonable steps to ensure that the municipality has and implements a supply chain management policy.

Delegation of supply chain management powers and duties

- 4. (1) The Council of a municipality hereby delegates such additional powers and duties to the accounting officer so as 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) the supply chain management policy;
 - (b) to maximise administrative and operational efficiency in the implementation of the supply chain management policy;
 - (c) to 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;
 - (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 sub-paragraph (1) of this policy.
- (3) The council or accounting officer may delegate or 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;
- (4) 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.

Sub-delegations

- 5. (1) An accounting officer may in terms of section 79 or 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub-delegation must be consistent with sub-paragraph (2) and paragraph 4 of this policy.
- (2) The power to make a final award –
 - (a) above R200 000 (VAT included) is not sub-delegated by an accounting officer;

- (b) above R30 000 (VAT included), but not exceeding R200 000 (VAT included) is sub-delegated to –
 - (i) the chief financial officer
 - (c) not exceeding R30 000 (VAT included) is sub-delegated to –
 - (i) A manager directly accountable to the chief financial officer namely; Divisional Manager Supply Chain Management.
- (3) An official to which the power to make final awards has been sub-delegated in accordance with sub-paragraph (2) of this policy must within five days of the end of each month submit to the official referred to in subsection (4) a written report containing particulars of each final award made by such official or committee during that month, including –
 - (a) the amount of the award;
 - (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 sub-paragraph (3) must be submitted –
 - (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (b) to the chief financial officer in the case of an award by –
 - (i) Divisional Manager Supply Chain Management
- (5) Sub-paragraph (3) and (4) 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.

The **accounting officer** may sub-delegate such powers and duties in terms of section 79 and 106 of the MFMA to officials of the municipality and provide for a bidding system in terms of the committee systems provided for in the procurement paragraphs.

The **accounting officer** may not sub delegate any SCM powers and duties to a person who is not an official of WDM or committee not solely composed of WDM officials.

The Heads of the Departments will be responsible for; among others:

- Initiating and planning all the procurements and disposals.
- Drafting and packaging all tender documents including determination of deliverables and / or performance indicators and bid adjudication criteria.
- Keeping records of all procurements and disposals in accordance with the provisions of this policy.
- Submitting monthly reports to the Chief Financial Officer.
- Contract closure report including performance monitoring.

All officials dealing with SCM issues as part of their financial responsibilities are also responsible for implementation of this Policy in their day-to-day operations.

APPROVAL STRUCTURE OF PROCUREMENT OF GOODS AND SERVICES

GOODS/SERVICE VALUE	PROCUREMENT METHOD	APPROVAL AUTHORITY	PURCHASE ORDER APPROVAL
R 0 – R 500	Petty Cash : One (1) Quote	Head of Department	Head of Department
R 501 – R 2 000	Three (3) Quotations of which at least One must be written	DM SCM	DM SCM
R 2 001 – R 30 000	Three (3) Written Quotations	DM SCM	DM SCM
R 30 001 – R 200 000	Notice on public notice boards & website (7 days i.t.o. SCM Paragraph 18) or Advertisement via newspapers Three Quotations	CFO	CFO
R 201 000 – R 2 Million	Competitive Bidding Process (Advertise for at least 14 days in the newspaper & website)	Accounting Officer on the recommendation of the Bid Adjudication Committee	Municipal Manager
R 2 Million – R 10 Million	Competitive Bidding Process	Accounting Officer on the recommendation of the Bid Adjudication Committee	Municipal Manager
Above R 10 Million	Competitive Bidding Process	Accounting Officer on the recommendation of the Bid Adjudication Committee	Municipal Manager
Deviations	Any deviation from normal procurement processes	Accounting Officer on the recommendation of CFO	As per the approval threshold of purchase orders as indicated above

Oversight role of council

6. (1) The council must maintain oversight over the implementation of its supply chain management 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 the supply chain management policy of the municipality to the council of the municipality;
 - (ii) whenever there are serious and material problems in the implementation of the supply chain management 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 of the municipality.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Supply chain management units

- 7. (1) The accounting officer must establish a supply chain management unit to implement its supply chain management policy.
- (2) The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

Training of supply chain management officials

- 8. The training of officials involved in implementing a supply chain management policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT POLICIES

Format of supply chain management policy

9. The supply chain management policy provides systems for-
- (i) demand management;
 - (ii) acquisition management;
 - (iii) logistics management;
 - (iv) disposal management
 - (v) risk management;
 - (vi) performance management.

Part 1: Demand management

10. (1) The accounting officer must establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments of the municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality.

This is the beginning of the supply chain, and must begin with a needs assessment, to ensure:

- that goods or services are required in order to deliver the agreed service;
- that specifications are precisely determined;
- that requirements are linked to the budget; and
- that the supplying industry has been analysed.
- That request for goods be submitted 7 working days and request for goods on notice board adverts 15 working days before it is required.

System of demand management

- (2) The objective is to ensure that the resources required to fulfill the needs identified in the Integrated Development Plan (IDP) are quantified; budgeted for; timely & effectively delivered at the right locations on the critical delivery dates and are of appropriate quality at a fair cost.

The demand management process

- (3) All procurements should be within approved budget in terms of section 15 of the MFMA and such expenditure shall have been authorized as per delegations and procured as per applicable thresholds.
- (4) A total needs assessment should be done on a continuous basis, which should include among others an analysis of needs, frequency of need, linking the requirements to the Medium Term Expenditure Framework, as well as budget for capital expenditure, an analysis of past expenditure as well as an analysis of integrated development plan.
- (5) Consistent with the government fiscal discipline, no procurement shall be undertaken unless it is in accordance with Annual Procurement Plan (APP)

approved by the Municipal Manager, which must be consistent with the duly approved annual or multi-year budget and service delivery plan.

- (6) For the purpose of this policy only those considered crucial to the efficient discharge of the municipal functions shall be included in the APP. Any procurement shall be considered to be crucial if it is required for the day-to-day operations or is in pursuit of the principal mandate of the WDM.
- (7) In case of Infrastructure Projects the plan shall consider the appropriate timing/phasing of appropriate activities such as engineering design and construction to reduce/lower project cost and avoid unnecessary roll-overs.
- (8) Where possible demand analysis should be used as a tool to stimulate local economic production and development and facilitate SMME development.

Strategy for Achieving the Preferential Procurement Policy Framework Act (PPPFA) Objectives and Linking the System to Black Economic Empowerment (BEE) Objectives

9. The municipality will use the public sector SCM system as a tool to achieve the BEE objectives/goals. This will be achieved within the prescribed framework of the PPPFA and its Paragraphs.

In order to achieve the BEE objectives and goals the specifications and terms of reference for each project will be drafted prior to publication. The specifications will be drafted in a manner that will assist in achieving the BEE targets set by the municipality. The accounting officer will approve all specifications drafted by the Bid Specification Committee prior to publication.

Benefits of Demand Management

10. Demand management should provide benefits such as:
 - Best value for money;
 - Better risk management;
 - More efficient procurement;
 - Improvements in procurement outcomes;
 - More opportunities for innovating bidding and contract management;
 - More opportunities for implementing the National Treasury's guidelines and objectives

Acquisition Management

System of acquisition management

- 11. (1) The accounting officer must establish, through operational procedures an effective system of acquisition management in order to ensure –**
- (a) that goods and services are procured by the municipality in accordance with authorised processes only;**
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;**
 - (c) that the threshold values for the different procurement processes are complied with;**
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract are in accordance with any applicable legislation; and**
 - (e) that any Treasury guidelines on acquisition management are properly taken into account.**
- (2) This supply chain management 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; and**
 - (b) electricity from Eskom or another public entity, another municipality;**
- (3) The following information must be made public wherever goods or services contemplated in section 110(2) are procured other than through the supply chain management system-**
- (a) the kind of goods or services; and**
 - (b) the name of the supplier.**
- (4) This management of the municipality must:**
- to decide on the manner in which the market will be approached;**
 - to establish the total cost of ownership of a particular type of asset;**
 - to ensure that bid documentation is complete, including evaluation criteria;**
 - to evaluate bids in accordance with published criteria; and**
 - that proper contract documents are signed**
- (5) Procurements and all other phases of the Supply Chain Management will be conducted in accordance with provisions of Chapter 11 of the Municipal Finance Management Act, (No. 56 of 2003): Framework for Supply Chain Management; and this policy.**
- (6) In support, procurements and disposals will be procured as per Standard Rules for Public Procurements and Disposals as published by the Construction Industry Development Board, Policy Strategy to Guide Uniformity in Procurement reform process in government and Paragraphs in terms of Section 168) of the Municipal Finance Management Act, (No. 56 of 2003): Framework for supply chain management and Procurement and Disposals Policies of the Municipality.**

- (7) Procurements will only take place against approved budget in terms of section 15 of the MFMA.

Procurement process

- (8) The procurement process will be managed as per SCM Standard Operational Procedures to be maintained by the SCM Unit and clearly outline the procedures and conditions for use of petty cash, written or verbal quotations, formal written quotations and competitive bidding process in support of this policy.

Range of procurement processes

12. (1) The procurement of goods and services through this policy is provided by way of –
- (a) petty cash purchases, up to a transaction value of R500 (VAT included);
 - (b) written or verbal quotations for procurements of a transaction value over R2 000 (VAT included);
 - (c) formal written price quotations for procurements of a transaction value over R2 000 up to R200 000 (VAT included); and
 - (d) a competitive bidding process for –
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.
- (2) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy; and
- (3) 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.

General preconditions for consideration of written quotations or bids

- 13 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 other registration number;
 - and
 - (iii) tax reference number and VAT registration number, if any;
 - (b) has authorised the municipality to obtain a tax clearance from South African Revenue Services that the provider's tax matters are in order;

(I) Implementation of the tax compliance status system (CIRCULAR 90)

In order to comply with the new TCS system and the condition of bids that a successful

bidder's tax matters must be in order, Accounting Officers of all municipalities should:

☐ Designate officials, preferably from the supply chain management unit, whose function will be to verify the tax compliance status of a taxpayer and to manage the TCS system on the SARS website and have the functionality to verify the tax compliance status of a taxpayer on the SARS' e-Filing system. Guidance to the Tax Compliance functionality on eFiling is available on the SARS website www.sars.gov.za.

☐ Utilise the Municipal Bid Document 1 (MBD1) when inviting bids.

☐ As a bid condition, request bidders to register on government's Central Supplier Database (CSD) and include in their quotations or bids, their Master Registration Number or tax compliance status PIN to enable the municipality to verify the bidder's tax compliance status

Utilise the Master Registration Number or tax compliance status PIN to verify bidders' tax compliance status.

☐ Print the tax compliance status screen view or letter with the result of the bidder's status at the date and time of verification to file with the bidder's bid documents for audit purposes.

Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by the bidder to the municipality must be verified via the CSD or e-Filing. The accounting officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the timeframe stated above.

(c) has indicated-

- (i) whether he or she is in the service of the state, or has been in 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.

List of accredited prospective providers

14. (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 of the municipality through written or verbal quotations and formal written price quotations;

Waterberg District Municipality will use CSD as the list of accredited prospective provider, and

- (b) at least once a year through newspapers commonly circulating locally, the website of the municipality and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers on CSD.**
 - (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.**

(4) Central Supplier Database

The CSD will automatically validate the following registration documents for the municipality:-

- ☐ **Confirmation and status of Business Registration Documents**
- ☐ **Proof of Bank Account Registration**
- ☐ **Tax compliance status**
- ☐ **Employee in the service of state as defined in the Municipal SCM Paragraphs**
- ☐ **Identity Documentation**
- ☐ **Tender defaulters and restrictions status**
- ☐ **CIDB**

It is the responsibility of the municipality to continue with verification of other listing criteria which are not currently validated by CSD, for instance, proof of municipal account and BBBEE status level of contributor.

Petty cash purchases

- 15. The accounting officer must establish the conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12(1)(a) of this policy, which must include conditions –**
- (a) Determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;**

This responsibility is not delegated at WDM and remains with the S57 manager.

- (b) Limiting the number of petty cash purchases or the maximum amounts per month for each manager;
- Departments are not allowed to have more than 5 petty cash purchases per month.
- (c) Excluding any types of expenditure from petty cash purchases, where this is considered necessary; and

Prohibited Petty Cash Payments are as follows:

- 1 Petty cash advances must not be used to provide change, to give salary advances to employees or to cash cheques.
- 2 No personal use or cheque cashing from these funds is allowed. It shall be deemed an offense to use Petty Cash for private matters even if the intention is to repay.
- 3 Petty cash shall not pay for instalment invoices such as rental or equipment or open orders even if the amount falls within the limit specified.
- 4 Energy drinks (e.g. Red Bull)
- 5 Petrol charges
- 6 Toll gate slips
- 7 Travel or any other salary claims
- 8 Purchase and lease of Assets

(d) requiring monthly reconciliation reports from each manager 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.

This exercise is currently performed by the cashier, but may be delegated to HODs by the Municipal Manager.

Written or verbal quotations

16. The accounting officer must establish the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating –
 - (a) that quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on central supplier database, if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by paragraph 14(1)(b) and (c);

- (b) that, to the extent feasible, providers must be requested to submit such quotations in writing;
- (c) that 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) that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (e) that 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 accounting officer must establish the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating that –
- (a) that quotations must be obtained in writing from at least three different providers whose names appear on central suppliers database or;
 - (b) that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by paragraph 14(1)(b) and (c);
 - (c) that if it is not possible to obtain at least three quotations, the reasons must be recorded and recommended by the chief financial officer and approved by the accounting officer; and
 - (d) that the accounting officer must record the names of the potential providers and their written quotations; and
- (2) A designated official referred to in sub-paragraph (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 sub-paragraph.

Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

18. (1) The accounting officer must determine the operational procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, stipulate –
- (a) that 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;
 - (b) that when using central suppliers database the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis;
 - (c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;
 - (d) that the accounting officer or 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 sub-delegation; and

(e) requirements for proper record keeping.

(2) The procedures for procuring goods and service between R 500 and R 30 000 are:

- (a) The project manager or end-user must submit a duly completed request for a quotation form which has been authorised by the Head of Department to SCM unit at least seven (7) working days before the date of the required goods or service.**
- (b) The project manager or end-user must also capture the request for goods or service on the Integrated Financial Management System (IFMS) which must be authorised the Head of Department or Manager at least seven (7) working days before the date of the required goods or service.**
- (c) SCM practitioner will source quotations from the service providers registered on Central Supplier Database within that commodity.**
- (d) SCM practitioner will capture quotations received on the IFMS with the recommended service provider.**
- (e) The Head of Department will authorise the award of the service provider on the IFMS.**
- (f) The Head of Department will also approve the manual documentation and the project manager or end user will then submit the authorised purchase requisition to SCM unit.**
- (g) The SCM practitioner will then issue an official purchase order.**
- (h) The official purchase order will be authorised delegation of this policy.**
- (i) SCM practitioner will notify or inform the project manager that the purchase order has been authorised.**
- (j) The project manager or end-user will the fax and communicate further with the appointed service provider with regards to goods or services required and the delivery timeframes.**

(3) The procedures for procuring goods and service between R30 000 and R200 000 are:

- (a) The project manager or end-user must submit a duly completed request for a goods form, captured on the IFMS, which has been authorised by the Head of Department or Manager to SCM unit at least fifteen (15) working days before the date of the required goods or service.**
- (b) SCM practitioner will advertise project specifications on the notice board and WDM website.**
- (c) SCM practitioner and project manager will evaluate quotations received**
- (d) SCM Practitioner and project manager will then submit an evaluation report to divisional manager SCM for recommendation before final approval is requested from CFO for appointment.**
- (e) The Head of Department will authorise award to service provider on the IFMS.**
- (f) The Head of Department will also approve the manual documentation for order and the project manager or end user will then submit the authorised purchase requisition to SCM unit.**
- (g) The SCM practitioner will then issue an official purchase order.**
- (h) The official purchase order will be authorised as delegation of this policy.**
- (i) SCM practitioner will notify or inform the project manager that the purchase order has been authorised.**

- (j) The project manager or end-user will the fax and communicate further with the appointed service provider with regards to goods or services required and the delivery timeframes.

Competitive bids

- 19. (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may be procured by the municipality only through a competitive bidding process, subject to paragraph 11(2); and
- (2) No requirement for goods or services above and 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. (1) The accounting officer must establish procedures for a competitive bidding process for each of the following stages:
 - (a) the compilation of bidding documentation;
 - (b) the public invitation of bids;
 - (c) site meeting or briefing sessions, if applicable;
 - (d) the handling of bids submitted in response to public invitation;
 - (e) the evaluation of bids;
 - (f) the award of contracts;
 - (g) the administration of contracts; and
 - (h) proper record keeping.
- (2) The procedures for the stages of the competitive bidding process are as follows:-
 - (a) Compilation of bidding documentation and specification by the project manager in consultation with SCM practitioner and Bid Specifications Committee.
 - (b) The bid documentation and specifications should be based on a thorough analysis of the market and costing of specifications
 - (c) Finalisation and recommendation of the bid document and specifications by the bid specification committee
 - (d) Approval of the specifications for advert by the departmental manager, CFO and Municipal Manager
 - (e) Public invitation for bids by SCM as per paragraph 22
 - (f) Site meeting or briefing session if applicable
 - (g) Public opening of the tender box on closing date as per the tender advert, recording of bids received and safekeeping of bids received in storeroom as per paragraph 23.
 - (h) Evaluation, finalisation and recommendation of the bid by bid evaluation committee as contained in the evaluation report
 - (i) Consideration of the evaluation report and final recommendations by the bid adjudication committee
 - (j) Award of contract by the accounting officer

- (k) Issue letters of notification to all unsuccessful bidders
 - (l) Resolve all queries, objections and disputes relating to unsuccessful bids
 - (m) Issue appointment letter to successful bidder
 - (n) Receipt of formal acceptance by successful bidder
 - (o) Administration of the contract after awarding of the bid - the municipality and the bidder must enter into a written agreement where the Service Level Agreement or contract must be signed
 - (p) The project manager or end-user must submit a duly completed request for a goods form, captured on the IFMS, which has been authorised by the Head of Department or Manager to SCM unit with copies of BAC recommendations, Appointment letter, acceptance letter, Service level agreement and quotation.
 - (q) The Head of Department or Manager will authorise purchase requisition on the IFMS.
 - (r) The Head of Department or Manager will also approve the manual documentation for order and the project manager or end user will then submit the authorised purchase requisition to SCM unit.
 - (s) The SCM practitioner will then issue an official purchase order.
 - (t) The official purchase order will be authorised as per section 12(3) of this policy. SCM practitioner will notify or inform the project manager that the purchase order has been authorised.
 - (u) The project manager or end-user will the fax and communicate further with the appointed service provider with regards to goods or services required and the delivery timeframes.
 - (v) Proper record keeping of all documents leading to the conclusion of the tender should be kept in a secure place for reference purposes.
- (3) The SCM Unit is the custodian of all procurement related documentation and it is not allowed for any such documentation to be removed from the SCM Unit, without supervision by the SCM Unit. If it is necessary to remove documentation for audit purposes or bid meetings, such documents shall be signed out by and returned with 2 weeks. The official signing out documentation will remain responsible for signed out documentation until it is returned to the SCM Unit and shall ensure that the credibility of documentation and information contained therein remains intact.

Bid documentation for competitive bids

21. The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply, and state that in addition to paragraph 13 the bid documentation must –
- (a) take into account –
 - (i) the general conditions of contract;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) 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 evaluation and adjudication criteria, including any criteria required by other applicable legislation;

- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish –
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) Local production and content
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 is expected to be transferred out of the Republic. The municipality must use the minimum threshold for local production and content as set out by Department of Trade and Industry.
- (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.

Public Invitation for competitive bids

22. The accounting officer must determine the procedure for the invitation of competitive bids, and which must stipulate that –
- (1) (a) that 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 a public advertisement must contain, which 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 sub-paragraph (2) of this policy; and
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality.
 - (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 to the municipality 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 accounting officer must determine the procedure for the handling, opening and recording of bids, which must stipulate that—
 - (a) Bids –
 - (i) must be opened only in public; and
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired;
 - (b) confer on any bidder or member of the public 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; and
 - (c) require the accounting officer –
 - (i) to record in a register all bids received in time;
 - (ii) to make the register available for public inspection; and
 - (iii) to publish the entries in the register and the bid results on the website of the municipality.

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) 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) The accounting officer is required to -
- (a) establish committee system for competitive bids consisting of at least –
 - (i) a bid specification committee;
 - (ii) a bid evaluation committee; and
 - (iii) a bid adjudication committee;
 - (b) appoint members of each committee, taking into account section 117 of the Act; and
 - (c) provide for an attendance or oversight process by a neutral or independent observer appointed by the accounting officer when this is appropriate for ensuring fairness and promoting transparency.
- (2) The committee system must be consistent with –
- (a) paragraphs 27, 28 and 29; and
 - (b) any other applicable legislation.
- (3) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

27. (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- (2) Specifications –
- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) 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 labelling 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 words "equivalent";
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the supply chain management policy of the municipality as per Preferential Procurement Paragraph issued on 20 January 2017.
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of regulation 22.
 - (h) Must be accompanied by a detailed evaluation criterion for the said bid.

- (i) Specifications drafted by the Project Manager and considered by the Specifications Committee should be signed off by the Head of the Department and if technical related, also by the Head of the Infrastructure Department to confirm approval thereof.
 - (j) must be approved by the departmental manager, CFO and accounting officer prior to publication of the invitation for bids.
 - (k) Specifications already approved in (j) above cannot be changed by the Project Manager without BSC consideration and approval as well as the departmental head approval.
 - (l) The Departmental head should take responsibility for the specifications, costing and budget implications.
 - (m) The Project Manager should properly research on related specifications and market related pricing.
 - (n) Project specifications must have a payment schedule based on either project phases or percentage of completion
 - (o) An individual asset report containing cost price, accumulated depreciation and current value of an asset should be drawn from the IFMS and attached to the specification to establish if it is economical to refurbish an existing an asset or not.
 - (p) The tender document for consultants must include a table for construction pricing estimate that must be completed by all bidders so to establish their costing for professional fees which must also be indicated on the evaluation report and recommendations.
 - (q) The functionality criteria and functionality cut off points should be set considering the frequency, technicality and the number of related projects required for the project.
 - (r) The project manager and departmental manager are appointed as variable BSC members for the specific project in their department.
- (3) The bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

Bid evaluation committees

28. (1) A bid evaluation committee must –
- (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system as must be set out in the supply chain management policy of the municipality in terms of paragraph 27(2)(f) and as

- prescribed in terms of the Preferential Procurement Policy Framework Act;
- (b) evaluate each bidder's ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxed and municipal service charges are not in arrears;
 - (d) check that all minimum requirements are met;
 - (e) evaluate and verify functionality criteria, supporting information and allocate functionality points to bidder
 - (f) check that the tender and bid documentation complies with the WDM SCM Policy
 - (g) check that the bidder is not a related party (involvement of participants working for organs of state) (MBD4)
 - (h) recalculate pricing and ensure that the project is implementable on the prices quoted as well as being market-related / value-for-money
 - (i) submit to the adjudication committee an evaluation report with recommendations regarding the award of bid or any other related matter.
- (2) The bid evaluation committee must as far as possible be composed of –
- (a) Officials (technical experts) from departments requiring the goods or services;
 - (b) at least one supply chain management practitioner of the municipality.

Subject to the subsection (2):

- (i) the composition of the bid evaluation committee may change to accommodate different scenarios;
 - (ii) members from the bid specification committee may also form part of the bid evaluation committee; and
 - (iii) a member (preferably the Chairperson) from the bid evaluation committee shall present reports to the bid adjudication committee, but only as an advisor;
- (c) Project managers are not officially appointed BEC members but are appointed as variable BEC members only for the purpose of evaluating their specific projects;
 - (d) Departmental managers must chair the BEC meeting of the specific project within their department and are seen as full and equal members of BEC for the evaluation of their projects and therefore form part of the quorum and is allowed to vote in the final recommendation and any other participation pertaining to their project in BEC;

Bid adjudication committees

- 29. (1) The 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) The bid adjudication committee must consist of at least four senior managers of the municipality which must include –**
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer;**
 - (b) at least one senior supply chain management practitioner who is an official of the municipality; and**
 - (c) a technical expert in the relevant field who is an official of the municipality, if the municipality has such an expert.**
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.**
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.**
- (5) (a) If a bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –**
- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; 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.**
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.**
- (7) The accounting officer must comply with section 114 of the Act within 10 working days.**

Procurement of banking services

30. (1) **Banking services –**
- (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 and 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 94 of 1990).

Procurement of IT related goods or services

31. (1) The accounting officer may request the State Information Technology Agency (SITA) to assist the municipality with the acquisition of IT related goods or services through a competitive bidding process.
- (2) The 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 of the municipality if –
- (a) the transaction value of IT related goods or services required by the municipality in any financial year will exceed R50 million (VAT included); or
 - (b) the transaction value of a contract to be procured by the municipality whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagree 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) A supply chain management policy may allow the accounting officer to procure goods or services for the municipality 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) the municipality has no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits for the municipality to do so; and
 - (d) that other organ of state and the provider have consented to such procurement in writing.

- (2) Sub-paragraph (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.

(3) Salient requirements applicable to Paragraph 32

Over and above the requirements stated in Paragraph 32, there are also other salient requirements which must be considered by the participating municipality as well as the organ of state that is approving the procurement under its contract. These include the following:

a) The contract must be valid

The municipality or municipal entity will not enter into a new contract with the service provider/s but will become a participant to an existing contract. The contract must therefore not have expired, or its validity modified to accommodate the 'piggyback' contract arrangement, and must be legally sound as proven in the motivated business case mentioned above. The participating municipality or municipal entity will conclude a separate service level agreement with the service provider/s that stipulates the duration of the 'piggyback' contract agreement, which may not exceed the end date of the original contract.

b) The duration of contract

The municipality or municipal entity must confirm the duration of the contract between the service provider/s and the other organ of state and determine the remaining term of the contract. Once this has been confirmed, the municipality or municipal entity must assess whether the remaining period will be sufficient for the service provider/s to deliver on its requirements. In other words, the participating municipality or municipal entity will only be permitted to utilise the contract of the other organ of state for the balance of the remaining period of the contract.

The contract cannot be extended or varied by the participating municipality it can only be extended by the original contracting parties in line with the contractual terms agreed to in the original contract. Should the contract between the original contracting parties be terminated for any reason before the contract end date, then that termination applies to the municipality participating on the contract as well.

c) The goods or services must be the same and the quantity may not be increased

The municipality or municipal entity must assess whether the goods and services being provided to the other organ of state are similar to the goods or services required by the municipality or municipal entity. The goods or services required by the participating municipality or municipal entity must be exactly the same as advertised and adjudicated by the other organ of state and may not be increased from the originally contracted quantity. Therefore, the participating municipality or municipal entity will procure the

required goods or services under the same scope or specification, terms and conditions as provided for in the original contract.

d) Contractual arrangements

The shared contract must have the same dispute resolution mechanism to settle contractual disputes, a combined periodic contract management performance review to appraise the shared contract, and to regularly report to the council of the participating municipality or the board of directors of the municipal entity, as may be appropriate, on the management of the 'piggyback' contract, service level agreement and the performance of the shared contractor/s.

The exercising of contractual rights, obligations or remedies in terms of the contract must be exclusively dealt with in terms of the dispute resolution mechanism as stipulated in the original contract. Each contractual party must uphold their legal obligations to the contract.

e) Implications for the organ of state who is the contract owner

Application of Paragraph 32 in a procurement process effectively means that the accounting officer of the original contracting organ of state is willing to forfeit a portion of its contract that has not already been consumed, to be consumed by the accounting officer who is requesting to procure under that contract. It may also mean that the accounting officer may no longer be able to procure goods and services from that contract anymore as the balance of the contract would have been allocated to the municipality or municipal entity that is requesting to procure under that contract. The accounting officer of the original contracting organ of state must notify the accounting officer of the municipality that is procuring under the original contract of all changes to the contract.

f) Panel of consultants/List of approved service providers

Municipalities and municipal entities can never participate on a panel secured by another organ of state as a panel of consultants or a list panel of approved service providers is not a contract.

REPORTING

The accounting officer of the participating municipality or municipal entity must within 10 working days of the approval by the accounting officer of the participation of that municipality or municipal entity submit the business case detailing the procurement process followed; and all relevant documentation that was used by the accounting officer to arrive at a decision to procure good or services through paragraph 32, to the council of the municipality and municipal entity and to the relevant treasury.

The accounting officer must further publish the contract award on the e-tender publication portal and the municipality or municipal entity's official website. The details to be published on the website can include the following:

- Name of Original Contracting Organ of state

- Name of contracted supplier or service provider
- B-BBEE level of the appointed
- "Piggyback" Contract Value
- "Piggyback" contract start and expiry date

Procurement of goods necessitating special safety arrangements

33. (1) The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel must be restricted.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the municipality.

Proudly SA Campaign

34. The accounting officer must determine internal operation procedures supporting the Proudly SA Campaign.

Appointment of consultants

35. (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 contract must be procured through competitive bids if-
- (a) the value of the contract exceeds R200 000 (VAT included);
 - (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 the municipality with 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 municipality must ensure that copyright in the 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.
- (5) The guideline for appointment of consultants issued in terms of Section 168 of the MFMA, as well as the prescripts of the CIDB, for the appointments of professional services shall be used.
- (6) In order to maintain such a high standard of work and keeping in mind the possible risk WDM is exposed to, as well as the relevant legislation governing certain

professions, only consultants employing professionals registered with the relevant professions' councils shall be engaged, where applicable.

- (7) Where appropriate, consultants should have a valid Professional Indemnity Insurance in place at appropriate level for the project.
- (8) Consultants (contractors) who are commissioned to prepare a scope of work for a particular contract shall be precluded from submitting tender offers for that procurement.

Deviation from and ratification of minor breaches of, procurement processes

- 36. (1) The accounting officer may-
 - (a) dispense with the official procurement processes established by the 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; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of sub-paragraph (1)(a) and (b) and report them to the next meeting of the council, in the case of a , and to include as a note to the annual financial statements.
- (3) Sub-paragraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

Unsolicited bids

- 37. (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, it may do so 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 for the municipality.
 - (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 municipality decides to consider an unsolicited bid that complies with sub-paragraph (2), the municipality must make its decision public in accordance with section 21A of the Municipal Systems Act, together with:
 - (a) its reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits for the municipality were it to accept an unsolicited bid; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of notice.
- (4) All written comments received pursuant to sub-paragraph (3), including any responses from unsolicited bidder, must be submitted 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 delegation.
- (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 recommendation 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 National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submissions 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.

Combating of abuse of supply chain management system

38. The accounting officer must establish measures for the combating of abuse of the supply chain management system, which must stipulate the following:
- (1) The accounting officer must:
 - (a) take all reasonable steps to prevent such abuse;
 - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified-
 - (i) take appropriate steps against such official or other role players; 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 the bidder or any of its directors to the municipality, are in arrears for more than three months
 - (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;
 - (e) to 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) to cancel the 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 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 of fraud or corruption during the past five years;
 - (iii) Has wilfully neglected, reneged on or failed to comply with the government, municipal or other public sector contract during the past five years; or
 - (iv) Has been registered in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combatting of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and the provincial treasury in writing of any actions taken in terms of sub-paragraph (1) (b) (ii), (e) or (f) of this policy.

Part 3: Logistics, disposal, risk and Performance Management

Logistics management

39. (1) The accounting officer must establish effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of good, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.

The Logistics Management Process

- (2) For fixed capital items (construction and road projects, immovable property) a process must be adopted ensuring appropriate classification, recording additions to asset and property registers, valuation, main use, etc.**
- (3) The financial system necessary to generate payments must be implemented in a manner which is consistent with the principles attached to the logistics management process.**

Inventory Management

- (4) Should the WDM decide to keep stock such stock must be kept to a minimum and must take into consideration all best practices in inventory management and health and safety paragraphs and systems.**

Disposal management

- 40. (1) The accounting officer must establish effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, which stipulate the following:**
 - (2) Disposal of assets must-**
 - (a) be by one of the following methods-**
 - (i) transferring the assets to another organ of state in terms of the provision of the Act enabling the transfer of assets;**
 - (ii) transferring the assets to another organ of state at a market related value or, when appropriate, free of charge;**
 - (iii) Selling the asset; or**
 - (iv) Destroying the asset;**
 - (b) provided that-**
 - (i) immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;**
 - (ii) movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the municipality;**
 - (iii) in the case of the free disposal of computer equipment, the Provincial Department of Education must be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and**
 - (iii) in the case of the free disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;**
 - (c) furthermore ensure that-**
 - (i) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and**
 - (ii) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and**
 - (d) ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated**

Risk management

41. (1) The accounting officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
- (2) 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.

Performance management

42. The accounting officer must establish an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.

Part 4: other matter

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

43. (1) The accounting officer must ensure that, irrespective of procurement processes followed, no award above R15 000 to a person whose tax matters have not been declared by the South African Revenue Services to be in order.
- (2) Before making an award to a person, the accounting person must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within seven 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. The accounting officer must ensure that irrespective of procurement process followed, no award may be made to a person-
- (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) who is an advisor or consultant contracted with the municipality.

Awards to close family members of persons in the service of the state

45. The notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or

parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including-

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

Ethical standards

46. (1) A code of ethical standards is hereby established, in accordance with sub-paragraph (2) for officials and other role players in the supply chain management system must be established 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 the supply chain management policy of the municipality -

- (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.
- (d) notwithstanding sub-paragraph (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;
- (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 the 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 the code of ethical standards.

(3) Declarations in terms of sub-regulation (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 that such declarations are recorded in the register; and
 - (c) contains measures to ensure that appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.
- (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) The National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management is adopted by the municipality and is binding on all officials.
- (6) A breach of code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the systems Act.
- (7) Sub-paragraph (2) (c) does not apply to gifts less than R350 in value.

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

47. (1) No person who is a provider or prospective provider of goods or services to a municipality, or a recipient or prospective recipient of goods disposed or to be disposed of by a municipality, 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 role player involved in the implementation of the supply chain management policy.
- (2) The accounting officer of a municipality must promptly report any alleged contravention of sub-paragraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Sub-paragraph (1) does not apply to gifts less than R350 in value.

Sponsorships

48. The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorships promised, offered or granted to the municipality, whether directly or through a representative or intermediary, by any person who is-
- (a) a provider or prospective provider of goods or services to the municipality; or

- (b) a recipient or prospective recipient of goods disposed or to be disposed of by the municipality.

Objections and complaints

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

Resolution of disputes, objections, complaints and queries

50. (1) The accounting officer must appoint an independent and impartial person not directly involved in the supply chain management processes of the municipality -
- (a) to assist in the resolution of disputes between the municipality or and other persons regarding-
 - (i) any decisions or action taken by the municipality in the implementation of its supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of its supply chain management system; or
 - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must-
- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
 - (b) submit monthly reports to the accounting officer on all disputes, objections, 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 received from the municipality within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be transferred to the National Treasury for resolution.
- (7) 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

51. 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 the 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.

PREFERENTIAL PROCUREMENT PARAGRAPHS, 2017

52. Identification of preference point system, designated sector, pre-qualification criteria, objective criteria and subcontracting

1. An organ of state must-

- (a) determine and stipulate in the tender documents-
 - (i) the preference point system applicable to the tender as envisaged in paragraph 6 or 7; or
 - (ii) if it is unclear which preference point system will be applicable, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system;
- (b) determine whether pre-qualification criteria are applicable to the tender as envisaged in paragraph 4;
- (c) determine whether the goods or services for which a tender is to be invited, are in designated sector for local production and content as envisaged in paragraph 8;
- (d) determine whether compulsory subcontracting is applicable to the tender as envisaged in paragraph 9; and
- (e) determine whether objective criteria are applicable to the tender as envisaged in paragraph 11.

Pre-qualification criteria for preferential procurement

2. (1) If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-

- (a) tenderer having a stipulated minimum B-BBEE status level of contributor;
- (b) an EME or QSE;
- (c) a tenderer subcontracting a minimum of 30% to-
 - (i) an EME or QSE which is at least 51% owned by black people;
 - (ii) an EME or QSE which is at least 51% owned by black people who are youth;
 - (iii) an EME or QSE which is at least 51% owned by black people who are women;
 - (iv) an EME or QSE which is at least 51% owned by black people with disabilities;
 - (v) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
 - (vi) a cooperative which is at least 51% owned by black people;
 - (vii) an EME or QSE which is at least 51% owned by black people who are military veterans;
 - (viii) an EME or QSE.

(2) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender

Tenders to be evaluated on functionality

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

80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million

4.(1) The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R30 000 and up to a Rand value of R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left[1 - \frac{P_t - P_{\min}}{P_{\min}} \right]$$

Where-

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

$P_{\min}$ = Price of lowest acceptable tender.

(2) The following table must be used to calculate the score out of 20 for B-BBEE:

B-BBEE Status Level Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

(3) A tenderer must submit proof of its B-BBEE status level of contributor.

(4) A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-

- (a) may only score points out of 80 for price; and
- (b) scores 0 points out of 20 for B-BBEE.

(5) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.

(6) The points scored by a tenderer for B-BBEE in terms of subparagraph (2)

must be added to the points scored for price under subparagraph (1).

(7) The points scored must be rounded off to the nearest two decimal places.

(8) Subject to subparagraph (9) and paragraph 11, the contract must be awarded to the tenderer scoring the highest points.

(9)(a) If the price offered by a tenderer scoring the highest points is not market-related, the organ of state may not award the contract to that tenderer.

(b) The organs of state may-

- (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
- (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
- (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

(c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

90/10 preference point system for acquisition of goods or services with Rand value above R50 million

5.(1) The following formula must be used to calculate the points out of 90 for price in respect of a tender with a Rand value above R50 million, inclusive of all applicable taxes:

Where-

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

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender.

- (2) The following table must be used to calculate the points out of 10 for B-BBEE:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-compliant Contributor	0

- (3) A tenderer must submit proof of its B-BBEE status level of contributor.
- (4) A tenderer failing to submit proof of B-BBEE status level of contribution or is a non-compliant contributor to B-BBEE may not be disqualified, but-
- (a) may only score points out of 90 for price; and
 - (b) scores 0 points out of 10 for B-BBEE.
- (5) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- (6) The points scored by a tenderer for B-BBEE contribution in terms of subparagraph (2) must be added to the points scored for price under subparagraph (1).
- (7) The points scored must be rounded off to the nearest two decimal places.
- (8) Subject to subparagraph (9) and paragraph 11, the contract must be awarded to the tenderer scoring the highest points.
- (9) (a) If the price offered by a tenderer scoring the highest points is not market-related, the organ of state may not award the contract to that tenderer.
- (b) The organs of state may-
- (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

- (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
 - (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- (c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

Local production and content

6.(1) The Department of Trade and Industry may, in consultation with the National Treasury-

- (a) designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content, taking into account economic and other relevant factors; and
 - (b) stipulate a minimum threshold for local production and content.
- (2) An organ of state must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.
- (3) The National Treasury must inform organs of state of any designation made in terms of paragraph 8(1) through a circular.
- (4) (a) If there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.
- (b) The threshold referred to in paragraph (a) must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury.
- (5) A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

Subcontracting as condition of tender

7.(1) If feasible to subcontract for a contract above R30 million, an organ of state must apply subcontracting to advance designated groups.

(2) If an organ of state applies subcontracting as contemplated in subparagraph (1), the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract

to-

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

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

Criteria for breaking deadlock in scoring

- 8.(1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for B-BBEE.
- (2) If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be awarded to the tenderer that scored the highest points for functionality.
- (3) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

Award of contracts to tenderers not scoring highest points

- 9.(1) A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.
- (2) If an organ of state intends to apply objective criteria in terms of section 2(1)(f) of the Act, the organ of state must stipulate the objective criteria in the tender documents.

Subcontracting after award of tender

- 10.(1) A person awarded a contract may only enter into a subcontracting arrangement with the approval of the organ of state.

(2) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

(3) A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.

Cancellation of tender

11.(1) An organ of state may, before the award of a tender, cancel a tender invitation if-

- (a) due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
- (b) funds are no longer available to cover the total envisaged expenditure;
- (c) no acceptable tender is received; or
- (d) there is a material irregularity in the tender process.

(2) The decision to cancel a tender invitation in terms of subparagraph (1) must be published in the same manner in which the original tender invitation was advertised.

(3) An organ of state may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.

Remedies

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

- (a) inform the tenderer accordingly;
- (b) give the tenderer an opportunity to make representations within 14 days as to why-
 - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part;
 - (ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and
 - (iii) the tenderer should not be restricted by the National

- Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
- (c) if it concludes, after considering the representations referred to in subparagraph(1)(b), that-
- (i) such false information was submitted by the tenderer-
 - (aa) disqualify the tenderer or terminate the contract in whole or in part; and
 - (bb) if applicable, claim damages from the tenderer; or
 - (ii) the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10 percent of the value of the contract.
- (2) (a) An organ of state must-
- (i) inform the National Treasury, in writing, of any actions taken in terms of subparagraph (1);
 - (ii) provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and
 - (iii) submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.
- (b) The National Treasury may request an organ of state to submit further information pertaining to subparagraph (1) within a specified period.
- (3) The National Treasury must-
- (a) after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and
 - (b) maintain and publish on its official website a list of restricted suppliers.

Circulars and guidelines

13. The National Treasury may issue-

- (a) a circular to inform organs of state of any matter pertaining to these policy; or
- (b) a guideline to assist organs of state with the implementation of any provision of these policy.

53. Attachments

Annexure A – WDM Model SCM Policy for Infrastructure Procurement and Delivery Management

Annexure B – National Treasury Standard for Infrastructure Procurement and Delivery Management

Adopted by Council at its meeting held on 30 May.....2019

as per Council Resolution Number ... A222/2019 ...

This Policy is effective from 1 July 2019.

Signed at ... MODIMOLLE ... on ... 30 MAY ... 2019



Municipal Manager