

**ETHEKWINI MUNICIPALITY: SUPPLY CHAIN MANAGEMENT POLICY, 2023**



**Adopted by Council on: 13/12/2022**

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<b>Contact Person</b>	<b>Acting Head SCM: Dr. Sandile Mnguni</b>
<b>Approval Authority</b>	<b>EThekwini Municipality Council OR Executive Committee</b>
<b>Last date of approval (Phase 1) V8.4</b>	<b>31/03/2022</b>
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## **PREAMBLE**

Section 111 of the Municipal Finance Management Act requires each Municipality and Municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act. In addition, the Preferential Procurement Policy Framework Act requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed. This requirement is given effect in section 52 of this policy. The eThekweni Municipality is further committed to combating fraud, corruption, favoritism and irregular practices in Supply Chain Management by blacklisting persons who have been found to have engaged in such practices. This is the Supply Chain Management Policy of eThekweni Municipality

## **PURPOSE**

The purpose of this Policy is:

- (a) to implement a Supply Chain Management system in accordance with Section 217 of the Constitution which is fair, equitable, transparent, competitive and cost effective;
- (b) to provide for procedures and processes for the procuring of goods, services or works;
- (c) to provide for procedures and processes for the disposal of goods no longer needed;
- (d) to provide for procedures and processes for the selection of contractors to provide assistance in the provision of municipal services other than where Chapter 8 of the Municipal Systems Act applies ;
- (e) to provide for provision of municipal services through a service delivery agreement with a natural or juristic person which is not an organ of state;
- (f) to ensure consistency with other applicable legislation and regulations thereto;
- (g) to give effect to the Preferential Procurement Policy objectives of the Municipality;
- (h) to ensure optimal service delivery by facilitating effective and efficient procurement;

- (i) to combat fraud, corruption favoritism and irregular practices in Supply Chain Management by blacklisting persons who have been found to have engaged in such practices;
- (j) to create a Blacklisting Committee to implement the provisions of this policy;
- (k) to specify guidelines to prevent the municipality from doing business with persons who abuse the Supply Chain Management system by engaging in unlawful and/or irregular practice(s);
- (l) to specify guidelines that will prevent the municipality from doing business with persons who default on performance willfully or negligently;
- (m) to develop uniform criteria and a fair process for blacklisting such persons;
- (n) to discourage persons who are blacklisted from re-entering the procurement arena by setting up new business entities and by using the existing business entities to tender for the public sphere of work, during the period which they are blacklisted;
- (o) to give the municipality power to deregister blacklisted persons from its suppliers database;
- (p) to create a database of persons who are blacklisted and to publish the list on the municipality's website so as to expose and publicise the identity of the blacklisted person; and
- (q) to deal with the conduct of officials who are found to have engaged in unlawful and/or irregular practices together with such persons, to be dealt with in terms of internal disciplinary procedure.

## **PROBLEM STATEMENT**

The Municipality is committed in terms of the Constitution and its procurement policies to have a supply chain policy that is fair, equitable, transparent, competitive and cost effective and to combat irregular practices in the tendering process in order to acquire the best goods and services for the City.

- (1) Section 217 (1) of the Constitution provides that when an organ of state in the national, provincial or local sphere of government contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective;



- (2) Section 111 of the Municipal Finance Management Act requires every municipality to develop and implement a supply chain management policy in order to give effect to the provisions of the Act;
- (3) The Preferential Procurement Policy Framework Act, 2000 (No. 5 of 2000) provides for the framework for a procurement policy which allows for categories of preference in the allocation of contracts, together with consideration of the provisions of the Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003);
- (4) The Governments Preferential Procurement Policy objectives include increased usage of local resources; redressing the skewed employment and ownership through the BBBEE Act; the creation of job opportunities and poverty alleviation; stimulation of skills development and transferring of skills and fast-tracking the growth of and ensuring the sustainability of SMME's;
- (5) In establishing the Supply Chain Management Unit Blacklisting Committee and applying its policy and guidelines, the Municipality will be in compliance with the requirements of the Municipal Finance Management Act and the Supply Chain Management Regulations; and
- (6) In terms of the Supply Chain Management Regulation 11 (1) and (2), where a municipality procures goods and services otherwise than through its supply chain management system, it must make that fact public. The name of the supplier and the kind of goods or services procured must be made public.

## 1. Definitions

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

**“Accounting Officer”** must mean the City Manager, or Acting City Manager, of the eThekweni Municipality as per section 60 of the MFMA. In the case of Municipal Entities-Must mean the Chief Executive Officer or Acting Chief Executive Officer as per section 93 of the MFMA.

**“Amendment”** must mean a change made to the value of the contract beyond the contract authority and/or the duration of the contract beyond the contract authority and/or scope changes in the contract and/or contracting arrangements beyond the contracting allowances. An amendment may be a minor amendment or a major amendment;

**“Appeal Authority”** must mean an independent and impartial person appointed by the Accounting Officer in terms of Regulation 50 of the Local Government Municipal Supply Chain Regulations;

**“Applicant”** must mean a Department of eThekweni Municipality;

**“Award”** must mean the acceptance of a bid or proposal;

**“B-BBEE”** must mean broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;

**“B-BBEE Status Level of Contributor”** must mean the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

**“Black People”** is a generic word which means Africans, Colored and Indians

1. who are citizens of the Republic of South Africa by birth or descent; or
2. who became citizens of the Republic of South Africa by naturalization- before 27 April 1994; or
3. on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalization prior to that date.

**“Blacklisting Authority”** must mean the Blacklisting Committee;

**“Blacklisting Period”** must mean the period for which the blacklisted person is barred from participation in the procuring processes of the Municipality;

**“Blacklisting”** must mean the act of disqualifying a person or an entity from participating in or continuing to participate in the procurement process of the eThekweni Municipality;

**“Capital Assets”** are all assets with a life cycle of greater than one year and above

the capitalization threshold (where applicable). For example, this would include

property, plant and equipment (infrastructure network, furniture, motor vehicles,

computer equipment, etc.), intangible assets, and investment property.

**“Chief Financial Officer”** must mean the Deputy City Manager: Treasury, or Acting Deputy City Manager: Treasury, of the eThekweni Municipality. In the case of Municipal Entities-Must mean the Chief Financial Officer or Acting Chief Financial Officer

**“Competitive bid”** must mean a bid in terms of a competitive bidding process;

**“Competitive bidding process”** must mean a competitive bidding process referred to in paragraph 12 (1) (d) of this policy;

**“Contingency”** must mean an amount included in the contract authority to cover the cost of unforeseen circumstances and must be used in line with respective industry norms and standards. This percentage must be appropriately motivated and approved at contract approval stage via the Bid Specification Committee, or Bid Adjudication Committee(where appropriate);

**“Contract”** must means a legally binding agreement between the Municipality and the Contractor for the latter to provide goods, services, engineering and construction works, or professional services in return payment by the former;

**“Contract Authority”** must mean the total contract award value as approved, or supported, by the Bid Adjudication Committee. This is inclusive of escalations and the normal contingency allowance for variations under the general conditions of contract, and shall be taken from the amount approved at the Bid Specification Committee, or Bid Adjudication Committee;

**“Contract Manager”** must mean the delegated official to manage and oversee a contract;

**“Contract Participation Goal (CPG)”** must mean the value of work to be subcontracted to enterprises or businesses factored according to their level of HDI/PPG (as defined in the EThekwini Targeted Procurement Policy: 2003) equity ownership as set and approved in the bidding documents;

**“Contract Period”** must mean the duration of the contract as set out in the contract;

**“Contractor”** must mean any person, body, or legal entity that is under contract to the Municipality for the performance of the contract. A Tenderer whose tender has been accepted becomes a Contractor;

**“Control”** must mean 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 exercise of appropriate managerial authority and power in determining the policies and directing the operations of the business;

**“Co-Operatives”** must mean an autonomous association of persons united voluntarily to meet their common economic and social or cultural needs and aspiration through a jointly owned and democratically controlled enterprise organized and operated on co-operative principles or is a social enterprise that applies commercial strategies to maximize improvements in financial, social and environmental well-being.

**“Day(s)”** must mean, unless otherwise specified, calendar days. Days must be calculated by excluding the first day and including the last day;

**“Delisting”** must mean the removal of a person from the eThekwini Municipality database of blacklisted persons after the period of blacklisting has expired;

**“Disabled”** must mean in respect of a natural 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;

**“Eligibility Documents”** must mean:

- (a) A valid Tax Clearance certificate or Tax Compliance Status with a PIN number issued by the South African Revenue Service and Municipal Fee Declarations and certificates certifying that the bidder

has no undisputed commitments for municipal fees due to any municipality or overdue for a prescribed period;

- (b) declarations by tenderers certifying the correctness of information and certifying validity of authority to act (Regulation 14 of the Preferential Procurement Policy Framework Act 5 of 2000);
- (c) certificates declaring details of Private or business interests in terms of Regulation 46(e) of the Supply Chain Management Regulations;
- (d) proof of registration with the CIDB (Construction Industry and Development Board), where applicable;
- (e) proof of Registration of a Company, close Corporation, Co-operative or any other document requiring formal registration;
- (f) any partnership agreement, or agreement of Joint Venture, Memorandum of Articles of A Company, Association Agreement or any other agreement establishing a business entity;
- (g) a statement setting out details of work undertaken in the Government/public sector/ organs of state in the past five years, including particulars of persons who assessed the work and who can be contacted to verify completion/ non completion of the contract;
- (h) audited financial statements where applicable, or books of account; and/ or
- (i) any other document prescribed by law or specifically requested by the eThekweni Municipality.

**“Executive Director” must** mean a partner in a partnership, a director of a company established in terms of the Companies Act, 1973 (Act 61 of 1973) and the new Companies Act. 2008 (No. 66 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984 (No. 69 of 1984) who, jointly and severally with their other partners, co-directors or co-members, as the case may be, bears the risk of business and takes responsibility for the management and liabilities of the partnership, company, or close corporation;

**“Exempted Micro Enterprise”** must mean a bidder with an annual total revenue of R10 million or less (in terms of the Broad-Based Black Economic Empowerment Act);

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

**“Formal written price quotation”** must mean quotations referred to in paragraph 12 (1) (c) of this policy and shall include any offer to purchase immovable property;

**“Fronting”** must mean claiming preference points, status or goals of any of the target groups listed in the eThekweni Municipality’s Targeted Procurement Policy and/or tendering documents where such claim is false;

**“Goods”** must mean both movable and immovable property and real rights therein;

**“Highest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

**“Improper Practice”** shall include, but not be limited to:

- (a) fronting;
- (b) misrepresentation on eligibility documents or Application forms or any other returnable document which contains information which will have a material bearing on the award;
- (c) attempting to bribe /influence an official or a political office bearer of this municipality , whether by monetary inducement or non- monetary inducement , whether such official or political office bearer is directly or indirectly involved with the procurement process, or may exert influence over any decision maker / decision making structure / SCM practitioner /Consultant, or any official in order to ensure that such entity/person obtains an unfair advantage in the procurement process and/or is awarded a tender as a result of such conduct, or retains a tender despite such conduct
- (d) deliberately omitting information, or misrepresenting information which could have a bearing on the award of a tender;
- (e) committing of fraud or extortion in relation to the bidding process;
- (f) abuses the Procurement System by obtaining insider information in relation to the assessment or evaluation of a bid not yet awarded by engaging with supply chain management officials and/or any other official and/or politician/s, as communications on bids under evaluation, is prohibited and that the evaluation is confidential until an award/ non award is made. It shall be presumed that a person in possession of insider information has engaged with officials or politicians, where such information is not obtained via a Promotion of Access to Information Act application or is not in the public domain or not released in writing by a duly authorized official.
- (g) collusive tendering;
- (h) Restrictive horizontal and vertical Practices as defined by the Competition Act, 1998 (No. 89 of 1998);

- (i) committing an exclusionary act as defined by the Competition Act, 1998 (No. 89 of 1998); and
- (j) any other activity which is not specifically set out in this definition, but constitutes an unlawful or unfair/improper business practice;

**“In the service of the state”** must mean:

- (a) a member of any municipal council, any provincial legislature or the National Assembly of 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;
- (e) a member of the accounting authority of any national or provincial public entity; and
- (f) an employee of Parliament or a provincial legislature.

The Minister of Finance has specifically exempted non-executive board members of a Municipal entity from the prohibition for being in the service of the state but only in relation to supply chain awards by a municipal entity that they do not serve on.

An official or employee means a full time employee, and excludes any person employed on a part time basis or a person earning a stipend, provided that such person be verified and cleared in terms of conflicts of interest by the COI Task Team;

**“Infrastructure”** must mean:

- (a) immovable assets which are acquired, constructed or which results from construction operations or
- (b) movable assets which cannot function independently from purpose built immovable assets.

**“Large Entities”** must mean a bidder with an annual total revenue in excess of R50 million (in terms of the Broad-Based Black Economic Empowerment Act);

**“Long term contract”** must mean a contract with a duration period exceeding one year;

**“List of accredited prospective providers”** must mean the list of accredited prospective providers which a municipality or municipal entity must keep in terms of paragraph 14 of this policy;

**“Local Content/Resources”** must mean where preference points shall be allocated in terms of the location of the enterprise where applicable in the following order of preference: eThekweni Municipality Area (EMA); KwaZulu-Natal (KZN); South Africa (SA);

**“Lowest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;

**“Major Amendment”** must mean an amendment to a contract which is not a minor amendment;

**“Manufacturer”** must mean a firm that operates or maintains a factory or establishment that produces on its premises materials or supplies required by the Prime Contractor for the performance of the Contract;

**“Military Veteran”**: must mean any South African Citizen who-

- (a) rendered military service to any military organisations, statutory and non-statutory, which were involved on sides of South Africa’s Liberation war from 1960 to 1994;
- (b) served in the Union Defence Force before 1960;
- (c) became a member of the new South African National Defense Force after 1994.

**“Minor Amendment”** must mean a change made to the value of the contract beyond the contract authority and where the change is up to 20% of the original contract authority for construction related goods, services and/or infrastructure projects. A change of only up to 15% of the original contract authority relating to goods and/or services is allowed to be considered a minor amendment”;

**“Municipality”** must mean the eThekweni Municipality or any municipal entity, whichever is applicable;

**“Non-Performance”** must mean default on a contract in the public sector by willfully or negligently:

- (a) Failing to perform at all;
- (b) Failing to complete work timeously without good reason;
- (c) Delivering defective performance, i.e. poor workmanship or substandard materials;
- (d) Being in breach of a material term of the contract;



- (e) Failing to achieve a specified contract participation goal or performance target as set out in the tender document/s, and
- (f) despite being given written notice to remedy non-performance.

**“Other applicable legislation”** must mean any other legislation applicable to municipal supply chain management, including, but not limited to:

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

**“Owned”** must mean having all the customary incidents of ownership, including the right of disposition, and sharing all the risks and profits commensurate with the degree of ownership interests, as demonstrated by an examination of the substance, rather than the form of ownership arrangements;

**“Person”** must mean a person including a juristic person and tenderer, supplier, service provider, contractor and business entity must have a corresponding meaning;

**“Preferred bidder”** must mean the most responsive and recommended bidder but whose tender and award has not been confirmed”

**“PFMA”** must mean Public Finance Management Act.

**“Price”** means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

**“Previously Disadvantaged people”** must mean persons or category of persons historically disadvantaged by unfair discrimination on the basis of race, gender or disability;

**“Prime Contractor”** must mean a contractor who contracts with the Municipality as the principal or main contractor or as a joint venture partner to such contractors, to provide goods, services and works;

**“Priority population group”** must mean black individuals who fall into population groups that were not offered a franchise in the national elections before or after the introduction of the 1984 tri-cameral parliamentary system and only received a franchise during 1994”.

**“Project Authority”** must mean the authority to incur expenditure on the project as budgeted for and approved by Council;

**“Qualifying Small Enterprise”** must mean any enterprise with annual total revenue of between R10 million and R50 million.

**“Rand value”** means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

**“Regulation”** must mean the Local Government: Municipal Supply Chain Management Regulations promulgated under General Notice 868 of 2005 dated 31 May 2005, as amended from time to time;

**“Reporting Officer”** must mean a delegated official who monitors the performance of a contractor;

**“Restrictive Horizontal Practice”** must have the same meaning as set out in the Competitions Act 89 of 1998;

**“Restrictive vertical Practice”** must have the same meaning as set out in the Competitions Act 89 of 1998;

**“Senior manager”** must mean any official of the eThekweni Municipality with the title Senior Manager, Deputy Head, Head, Deputy City Manager, City Manager, or who in either of these positions in an official acting capacity or the designated office which may supersede the title of “senior manager”;

**“Service Provider”** must mean a contractor;

**“Sole Supplier”** must mean that there exist one service provider or supplier manufacturer in the market, with sole distribution rights and/or patent rights.

**“Specific goals”** means specific goals as contemplated in section 2(1)(d) of the PPPFA which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction

**“SMMEs”** must mean Small, Medium and Micro Enterprises as defined in the National Small Business Act 102 of 1996;

**“Supplier”** must mean a firm that:

- (a) owns, operates or maintains a store, warehouse or other establishment in which materials or supplies are bought, kept in stock and regularly sold to the public in the usual course of business and
- (b) engages as its principal business, and in its own name, in the purchase and sale of the products;

**“Targeted-Procurement”** means a policy or programme of an Entity that targets a percentage of procurement exclusively for certain categories of enterprises.

**“Tender”** means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;

**“Tender for income-generating contracts”** means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions and;

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

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

**“Unsolicited Bid”** must mean any proposal/concept received by an institution outside its normal procurement process that has not been a solicited bid (a submission that must be innovative, unique and provided by a sole supplier).

**“Variation”** must mean a change to a provision/s in a contract, excluding the changes referred to in amendments in the definition of this policy;

**“Works”** must mean engineering and construction works;

**“Written or verbal quotations”** must mean quotations referred to in paragraph 12(1)(b) of this policy; and

**“Youth”** must mean South African citizens between the ages of 18 and 35;

## 2. Supply chain management policy

(1) The eThekweni Municipality resolves in terms of section 111 of the Act to 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 the Regulations; 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) The Municipality may not act otherwise than in accordance with this supply chain management policy when:

- (a) procuring goods, services or works;
- (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 that Act.

(3) Subparagraphs (1) and (2) of this policy do not apply in the circumstances described in section 110 (2) of the Act except where specifically provided otherwise in this policy.

### **3. Adoption and amendment of the supply chain management policy**

(1) The Accounting Officer must:

- (a) at least annually review the implementation of this policy, by way of a revised policy document and/or annual report on the implementation of the policy; and
- (b) when the Accounting Officer considers it necessary, submit proposals for the amendment of this policy to the council.

(2) If the Accounting Officer submits a draft policy to the Council that differs from the model policy, the Accounting Officer must ensure that such draft policy complies with the Regulations. 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 this supply chain management policy.

#### **4. Delegation of supply chain management powers and duties**

- (1) The council 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, favoritism and unfair and irregular practices in the implementation of the supply chain management policy; and
  - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an Accounting Officer in terms of subparagraph (1) of this policy.
- (3) The council or Accounting Officer may not 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; and
- (4) This section (delegation of supply chain powers and duties) may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

#### **5. Sub delegations**

- (1) The 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 subparagraph (2) and section 4 of this policy.

- (2) (1) The power to make a final award:
- (a) above R10 million (VAT included) may not be sub-delegated by the Accounting Officer;
  - (b) not exceeding R10 million (VAT included), is sub-delegated only to the Bid Adjudication Committee
  - (c) not exceeding R200 000 (VAT included), may be sub-delegated in terms of the supply chain management code of delegations approved by the Accounting Officer
- (2) In the event of a non-award of a bid exceeding R10 million (VAT included), Accounting Officer must approve such non-award since the power to make decision on procurement above R10 million (VAT included) may not be sub-delegated.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) of this section must ensure that within five days of the end of each month a written report containing particulars of each final award made by such official or committee during that month is submitted to the official referred to in subparagraph (4) of this policy, including:
- (a) the amount of the award;
  - (b) the name of the person to whom the award was made;
  - (c) the BEE status of the company; and
  - (d) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) of this policy must be submitted to the Accounting Officer, and all contract awards with a value exceeding R100 000 (VAT included) must be captured on National Treasury's Contracts Database via the SCM Unit.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.



- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.
- (7) No supply chain management decision making powers may be delegated to an advisor or consultant.
- (8) All other delegations in terms of the supply chain management code of delegations as amended from time-to-time.

## **6. Oversight role of council**

- (1) The council must maintain oversight over the implementation of this supply chain management policy.
- (2) For the purposes of such oversight the Accounting Officer must:
  - (i) Within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality, and
  - (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.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

## **7. Supply chain management unit**

- (1) The Accounting Officer must establish a supply chain management unit to implement this 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.

- (3) Wherever possible, all supply chain management functions and activities are to be performed by the supply chain management unit under the Supply Chain Management Unit Head.
- (4) Accounting Officer/ Chief Financial Officer or his delegate may from time to time issue guiding circulars to allow for enhanced implementation of the policy.

#### **8. Training of supply chain management officials**

The training of officials involved in implementing the supply chain management policy shall be in accordance with any Treasury guidelines on supply chain management training.

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

- (1) This supply chain management policy prescribes that the following systems that must be in place:
  - (a) demand management;
  - (b) acquisition management;
  - (c) logistics management;
  - (d) disposal management;
  - (e) risk management; and
  - (f) performance management.

## **10. System of demand management**

The aim of demand management is to ensure that the resources required to support the strategic and operational commitments are delivered at the right time, at the right price and at the right location, and that the quantity and quality satisfy the need of the Municipality.

- (1) All Unit Heads must submit as part of the Budget Approval process a procurement plan containing all planned procurement. This procurement plan must be approved by the DCM and Unit Head prior to its submission before end of March of each financial year.

Furthermore, a central contracts register is to be maintained for all contracts within the municipality. Items will only be permitted onto the register if contained within an approved procurement plan. Emergencies are excluded.

- (2) Municipal Entities must submit the procurement plans referred to above within the same timeline.
- (3) The relevant information must be furnished in the format contained in a standardized Procurement Plan Template to be issued by the Head: Supply Chain Management.
- (4) The appropriate method of procurement of goods, services and engineering & construction works for all contracts greater than the quotation threshold shall be approved by the Bid Specification Committee.

Further, all contracts exceeding R10 million (VAT inclusive) must be accompanied by project-specific procurement and BEE strategies when presented to the Bid Specification Committee. These should be discussed and agreed between multi-disciplinary teams beforehand.

## **11. System of acquisition management**

- (1) An official or bid adjudication committee to which the power to make final awards has been sub-delegated must ensure that:
  - (a) goods and services are procured by the Municipality in accordance with authorised processes only;
  - (b) expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
  - (c) the threshold values for the different procurement processes are complied with;
  - (d) bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
  - (e) any Treasury guidelines applicable on acquisition management are properly taken into account.
- (2) When procuring goods or services in terms of Section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the Municipalities supply chain management system, including:
  - (a) the kind of goods or services; and
  - (b) the name of the supplier.
- (3) Lease contract for office accommodation which exceed beyond thirty six months period must comply with the provisions of Section 33 of the Act unless the period beyond thirty six months is not firm contractual commitment (e.g. renewal at the discretion of the municipality with no financial commitment) and the Municipality shall have the right to review the lease at every three year interval to ensure market related rental

## **12. Range of procurement processes**

- (1) The procurement of goods and services through this policy can only be undertaken by way of:
  - (a) petty cash purchases, up to a transaction value of R1000 (VAT included);
  - (b) written or verbal quotations for procurements of a transaction value up to R5 000 (VAT included), provided all verbal quotes are followed by a written confirmation for the successful bidder;
  - (c) formal written price quotations for procurements of a transaction value over R5 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) An electronic quotes management system is deemed to meet the SCM regulatory requirements.
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

## **13. General preconditions for consideration of written quotations or bids**

- (1) 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;
    - (iv) tax clearance or tax compliance status from the South African Revenue Service that the provider's tax matters are in order and

- (b) has made the following declarations, where necessary:
  - (i) declaration of Interest (MBD4);
  - (ii) declaration for procurement above R10 million (all applicable taxes included) (MBD5);
  - (iii) preference points claim (MBD6.1);
  - (iv) declaration for local production and content, where applicable and specified (MBD6.2);
  - (v) declaration of bidder's past supply chain management practices (MBD8);
  - (vi) certificate of independent bid determination (MBD9);
  - (vii) declaration of municipal fees;
  - (viii) tax certificate requirements (MBD2)

#### **14. Lists of accredited prospective providers**

- (1) The Accounting Officer must:
  - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality through written or verbal quotations and formal written price quotations; and are in keeping with the National Treasury Centralized Supplier Database.
  - (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers; and
  - (d) disallow the listing of any prospective provider whose name appears on the National Treasury databases as a person/company prohibited from doing business with the public sector, or who is prohibited in terms of section 44 of this policy or is blacklisted/restricted in terms of this policy.

- (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 and must in the first instance be registered with the Centralized National Treasury Database.
- (3) The list must be compiled per commodity and per type of service. Prospective providers are allowed to amend the list of commodity and type of service at any given point in time.
- (4) No quotations may be solicited from any supplier/service provider/contractor who is not registered and verified by the National Treasury Central Supplier Database and by the appropriate branch on the EThekwini Municipality Central Supplier Database, or is in a position to be so before the award.
- (5) The function of implementation and management of the list of accredited prospective providers is delegated to the Head: Supply Chain Management or delegate.

### **15. Petty cash purchases**

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this policy are as per eThekwini Municipality's Financial Regulations.

- (1) Petty Cash Limits:
  - (a) The purchase of a single item must not exceed an amount R 1000 .
  - (b) Monthly maximum value of the total fund shall not exceed five thousand rand (R5000).
  - (c) In instances where line department need to hold a central float for a number of depot or branches which may exceed petty cash fund limit, a detailed motivation from the respective Head of Unit must be addressed to Senior Manager: Reconciliation and Deputy Head: Internal Control for the approval of the petty cash limit in 15(1)(a) and(b) above.

- (2) Restriction on use:

All petty cash expenses must be for valid business purposes and sundry in nature. Petty Cash fund cannot be used for the following:

- (a) purchase of goods already covered by a contract secured under the supply chain management process;
- (b) to reimburse an official using petty cash without prior management approval;

- (c) pay personal services that would be considered to either wages or independent contractor payments such as photography, entertainers, caterers, lectures etcetera.
- (d) reimburse expenditure greater than five hundred rand (R1000);
- (e) splitting of items so that they fall within the prescribed limit is not allowed;
- (f) to reimburse an official using petty cash for purchases exceeding the departments approved petty cash fund limit per month;
- (g) pay subsistence and travel expenditures excluding toll fees;
- (h) purchase capital items and
- (i) make salary advances or personal loans.

Items not included 2 (a) to (i) above can be procured through petty cash provided such purchase supports the operations of the respective department.

**(3) Petty cash reconciliations**

- a) Petty cash reconciliation must be performed by the approved petty cash custodian and submitted to the Supervisor / Line Manager, for approval, on a monthly basis.
- b) The cash on hand, petty cash vouchers and the EFT remittance advices or cash payment advices must reconcile to the departmental limit as set in 15 (1)(b).
- c) In the case where there is a shortage, the custodian must be liable to settle the debt within 48 hours but that does not prevent disciplinary processes where appropriate.
- d) The records of approved reconciliations must be filed and locked in a safe where the petty cash fund is kept at the end of each day.

**16. Written or verbal quotations**

The conditions for the procurement of goods or services through written or verbal quotations are:



- (a) quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by 14(1) (b) and (c) of this policy;
- (b) to the extent feasible, providers must be requested to submit their quotations in writing;
- (c) (1) If the invitation for quotations is not done in course of normal procurement (i.e. in accordance with the electronic quotations system for goods and services under R200 000 (VAT included) the following shall apply:
  - (i) if quotations received results in less than three quotes in number the municipality in its discretion may re-open the invitation for a further period as it may deem appropriate.
  - (2) the official with delegated authority to invite quotation shall get written consent of the Head of the Unit to re-invite further quotations. Provided that quotes already received are:
    - (i) kept in a secure place and;
    - (ii) remain unopened until the second batch of quotes are received;
  - (3) all quotes received must be opened and evaluated at the same time;
  - (4) bidders who have submitted quotations in the first instance must not re-quote as their bid offers will be automatically carried over.
  - (5) In the event that the above procedures still result in less than three quotes the reasons must be recorded and approved by the Chief Financial Officer or his nominee.
- (d) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or by his nominee.
- (e) that if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
- (f) an electronic quotes management system is deemed to meet the SCM regulatory requirements.
- (g) Verbal quotations may not be sourced for procurement in excess R5 000 (VAT included).

## 17. Formal written price quotations

- (1) The conditions for the procurement of goods or services through formal written price quotations are:
  - (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity;
  - (b) 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); If the initial invitation for quotations received is less than three in number, these must remain unopened until further quotes are re-invited. Authority to invite further quotes must be received from the Head: Supply Chain Management (SCM) Unit. The Head SCM may in cases of urgency and emergency approve proceeding with the quotation without obtaining the minimum of three required quotations.
  - (c) (1) If the invitation for quotations is not done in the course of normal procurement (i.e. in accordance with the electronic quotations system for goods and services under R200 000 (VAT included) the following shall apply:
    - (i) if quotations received results in less than three quotes in number, the municipality in its discretion may re-open the invitation for a further period as it may deem appropriate.
    - (2) the official with delegated authority to invite quotation shall get written consent of the Head of the Unit to re-invite further quotations. Provided that quotes already received are:
      - (i) kept in a secure place and;
      - (ii) remain unopened until the second batch of quotes are received;
    - (3) all quotes received must be opened and evaluated at the same time;
    - (4) bidders who have submitted quotations in the first instance must not re-quote as their bid offers will be automatically carried over.
    - (5) In the event that the above procedures still result in less than three quotes the reasons must be recorded and approved by the Accounting Officer or Head: Supply Chain Management Unit.
  - (d) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or by the Head: Supply Chain Management Unit.
  - (e) that the Accounting Officer must record the names of the potential providers and their written quotations.

- (2) A designated official referred to in subparagraph (1)(c) must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that subparagraph.
- (3) An electronic quotes management system is deemed to meet the SCM regulatory requirements. If it is not possible to obtain at least three quotations, the quotations must be re-advertised for a further period, after which the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer.

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

- (1) The operational procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations are:
  - (a) 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 or municipal entity;
  - (b) When using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis;
  - (c) Offers received must be evaluated on a competitive basis taking into account unconditional discounts;
  - (d) Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods or services and the lowest price;
  - (e) Acceptable offers above R30 000 (VAT included) are subjected to the preference points system and must be awarded to the most responsive offer;
  - (f) 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;
  - (g) 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;

- (h) Municipal requirements of proper record keeping must always be maintained.

## **19. Competitive bidding process**

- (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this policy.
- (2) For contracts in excess of three years, the requirements of section 33 of the Act must be complied with in full.
- (3) As a general requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may not 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.

However, the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities are made available to suppliers, service providers and construction contractors of various sizes is permitted, but only with the approval of the Bid Specification Committee.

## **20. Process for competitive bidding**

- (1) The procedure for the competitive bidding process is:
  - (a) the compilation of bidding documentation as detailed in paragraph 21;
  - (b) the public invitation of bids as detailed in paragraph 22;
  - (c) site meetings or briefing sessions, if applicable, as detailed in paragraph 22;
  - (d) the handling of bids submitted in response to public invitation as detailed in paragraph 23;
  - (e) the evaluation of bids as detailed in paragraph 28;
  - (f) the award of contracts as detailed in paragraph 29;
  - (g) the administration of contracts, which should include a written agreement between the municipality and the bidder after approval of the bid; and
  - (h) proper record keeping in that original and/or certified copies of documents are kept in a secure place for reference purposes.

## 21. Bid documentation for competitive bids

(1) The Bid documentation for a competitive bidding process must comply with the following criteria and:

- (a) Take into account:
  - i. the general conditions of contract;
  - ii. any Treasury guidelines applicable 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;
  - iv. the minimum requirements for infrastructure procurement in accordance with the Standard for Infrastructure Procurement and Delivery Management, in the case of procurement relating to the provision of new infrastructure or rehabilitation, refurbishment or alteration of existing structures.
- (b) include the preference points system to be used, contract participation goals, 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:
    - (a) for the past three years; or
    - (b) 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 3 months;

- (iii) particulars of any contracts awarded to the bidder by an organ of state during the past 5 years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
  - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), adjudication, arbitration, or, when unsuccessful, in a South African court of law.
- (f) Sureties, performance guarantees and retention for the procurement of goods and services (including consultant services) will not generally be called for, but in exceptional circumstances, where required, will be in accordance with the limits set for construction works below. The performance guarantees required for construction works are as follows:

<b>AMOUNT (Incl. VAT)</b>	<b>PERCENTAGE</b>
Up to R1 000 000	Nil
R1 000 001 to R10 000 000	5%
Above R10 000 000	10%

In the event that a contractor is unable to raise the required surety, the Head: Supply Chain Management may allow such surety to be deducted in full or part from monies that are to become due to the contractor. This may take the form of deductions from the first three [3] payment certificates due to the contractor.

- (g) The eThekweni Municipality requires a percentage of the project costs for all construction projects to be set aside as per paragraph (f) above and be in line with CIDB requirements or any other applicable legislative prescripts. A 5% retention fee up to a maximum of 10% of the contract sum will be applied on all contracts. Half of the retention amount will be released on issue of the completion certificate for the contract. The balance of the retention will be released on the completion of the defects liability period of the contract. All contracts must include a penalty clause.
- (2) For consultant services in respect of construction contracts, 10% retention is to be applied until the provision and acceptance of the final 'as-built' drawings.

## **22. Public invitation for competitive bids**

- (1) The procedure for the invitation of competitive bids is as follows:
  - (a) Any invitation to prospective providers to submit bids including Framework Contracts or panel of service providers must be by means of a public advertisement in newspapers circulating locally, the website of the municipality or municipal entity or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
  - (b) the information contained in a public advertisement, must include:
    - (i) the closure date, time and venue for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
    - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality or municipal entity; and
    - (iii) the date, time and venue of any proposed site meetings or briefing sessions.
- (2) The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed and appropriately labeled.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies

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

- (1) The procedures for the handling, opening and recording of bids including Framework Contracts or panel and task orders, are as follows:
  - (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) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price; and
- (c) The Accounting Officer must:
  - (i) record in a register all bids received in time;
  - (ii) make the register available for public inspection; and
  - (iii) publish the entries in the register and the bid results a notice board or on the website.
- (d) Task orders that arise as a result of Expression of Interest or Framework contracts with a total transaction value of R200 000 and above inclusive of VAT must be opened in the same manner as process contemplated in (1) (a) (i) (ii) above.

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

- (1) The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation:
  - (a) does not allow any preferred bidder a second or unfair opportunity;
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.
- (3) The multi-disciplinary team undertaking the negotiations must include a representative from SCM Policy and Support Services. The SCM practitioner must preside over the negotiations
- (4) Authority to negotiate price and any conditions of tender with preferred bidder(s) must be approved by the Bid Adjudication Committee and the outcome of the negotiations must be reported back to the Bid Adjudication Committee for final approval or support.
- (5) Authority to negotiate price and any conditions of written or verbal quotations and formal written price quotations must be approved by an official who is sub-delegated in terms of supply chain management code of delegations approved by the accounting officer. The outcome of the negotiations must be reported back to the duly delegated official for final approval.



- (6) The negotiations may include price and or final terms and conditions of tender, project plan and service level agreement.
- (7) Discount offers or alternate offers must be considered for negotiation after the Bid Adjudication Committee has granted authority to consider any alternate or discount offers. Outcome of the negotiation together with the minutes of the negotiation meeting must be reported back to the Bid Adjudication Committee for final approval or support.
- (8) Bid validity must be monitored and where applicable be extended by the Line Department at all times during the process of negotiations.
- (9) The framework or terms of reference for negotiations may be guided by the Bid Adjudication Committee.

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

- (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.
- (4) At each of the stages, proposal/bidding documents above the quotation threshold must be approved by the Bid Specification Committee.

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

- (1) The Accounting Officer is required to –
  - (a) Establish a 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 the 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) Paragraph 27, 28 and 29 of this policy; and
  - (b) any other applicable legislation.
- (3) The Accounting Officer may apply the committee system to formal written price quotations.
- (4) Bid Committees must conduct their business in accordance with the terms of reference and all applicable prescripts related to Supply Chain Management.
- (5) Each Bid Committee member must
- (a) disclose any interest that he or she may have in a matter on the agenda before the meeting or at least before the relevant item is considered by the committee and such person must excuse himself or herself from the sitting of the committee when the item is being decided, in order to avoid a conflict of interest.
  - (b) Keep confidential discussions and outcomes of the Bid Committee meeting.
- (6) It is to be noted that the eThekweni Municipality's Bid Committees place reliance on reports submitted to themselves by the various Clusters, Units, Departments and Entities. It is therefore incumbent on the authors of such reports to ensure that the all the appropriate facts are placed before the Committees in a logical sequence for them to take informed decisions.

In signing such reports, authors undertake that they have complied with the applicable codes of conduct and subject themselves to disciplinary and/or other action should any gross negligence or

misrepresentation be detected. The Committees are hereby empowered, therefore, to instruct such investigation and or action where they deem necessary and appropriate.

## **27. Bid specification committee**

- (1) The bid specification committee must approve the compilation of the specifications for each public invitation for competitive bids, and where authority has been sought to invite bids, 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 labeling of conformity certification;
  - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent";
  - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Policy Framework Act; and
  - (g) must be in accordance with paragraph 22 of this policy.
  - (h) must state the conditions of contract which shall govern the contract.

- (3) The bid specification committee must be composed of at least one supply chain management practitioner of the municipality or municipal entity.
- (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.
- (5) No item may be considered at the Bid Specification Committee unless the appropriate SCM compliance check process has been undertaken and the item has been cleared for acceptance onto the agenda.
- (6) The appropriate method of procurement of goods, services and engineering & construction works for all contracts greater than the quotation threshold shall be approved by the Bid Specification Committee.

Further, all contracts exceeding R10 million (VAT inclusive) must be accompanied by project-specific procurement and BEE strategies when presented to the Bid Specification Committee. These should be discussed and agreed between multi-disciplinary teams beforehand, and where possible limit the number of awards to a singular company.

- (7) The Bid Specification Committee shall in its discretion determine the need for a:
  - (a) Samples
  - (b) Compulsory or Non-compulsory site clarification meetings.
- (8) In the event where samples are required the committee shall determine physical location of the delivery of samples and controls to mitigate of possible risk.

## 28. Bid Evaluation Committee

- (1) The bid evaluation committee must:
  - (a) evaluate all bids, with the support of Line Units/Departments, in accordance with:
    - (i) the specifications for a specific procurement; and
    - (ii) the points system set out in terms of paragraph 27(2)(f).
  - (b) Ensure that an appropriate assessment of eligible bidder's ability to execute the contract has been undertaken by the department presenting the item;
  - (c) Ensure that in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears;
  - (d) Ensure in respect of the recommended bidder, that their tax clearance certificate or Tax Compliance Status with a PIN number, CIDB certificate and BBBEE certificates are in order.
  - (e) In bids where Consortia / Joint Ventures are involved, each party must submit a separate Tax Clearance Certificate or Tax Compliance Status with a PIN number.
  - (f) In instances where a Tax Clearance certificate or Tax Compliance Status with a PIN number is valid at the time of tender, but expires during the evaluation period, the preferred bidder must furnish the municipality within a period of twenty one (21) days as stipulated by the Bid Committees with a valid tax clearance certificate or Tax Compliance Status with a PIN number.
  - (g) A designated Line department shall communicate in writing with the preferred bidder about the applicability of the suspensive condition by latest the following day of the Bid Adjudications Committee meeting.
  - (h) The CIDB status must be valid and active at the time of submission of a bid, consideration by Bid Committee and before final award.

- (i) When the BBBEE certificate is valid at the time of tender and then it expires during evaluation or the level contribution changes, then it is the level at the time of the closing of tender that shall be considered.

The MBD 6.1. document requires the bidder to fill in a claim for empowerment points. The BB-BEE certificate shall be taken as the substantiation of the claim and accordingly submission of a BB-BEE certificate is mandatory. If the bidder does not complete MBD 6.1 document in full but provides a valid BB-BEE certificate, the municipality must award preference points in line with the PPPFA.

- (j) If a municipality is in possession of a bidders original tax clearance certificate or tax compliance status with a PIN number and B-BBEE certificate through the municipality's database, it is not necessary to obtain a new tax clearance certificate or tax compliance status with a PIN number or B-BBEE certificate each time a price quotation or bid is submitted from that specific bidder. This provision may be applied only if at the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate or tax compliance status and B-BBEE certificate that is in municipality's possession. Whenever this ruling is applied, cross-reference must be made to the original tax clearance certificate or tax compliance status and B-BBEE certificate for audit purposes.
- (k) Health and Safety Plans must be submitted at the time of tender where applicable.
- (l) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) The bid evaluation committee composed of at least one supply chain management practitioner of the municipality or municipal entity.

(3) No item may be considered at the Bid Evaluation Committee unless the appropriate SCM compliance check process has been undertaken and the item has been cleared for acceptance onto the agenda unless otherwise approved by the Chairperson.

## 29. Bid Adjudication Committee

- (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 that must include:
  - (a) The Chief Financial Officer or, another senior manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
  - (b) At least one senior supply chain management practitioner who is an official of the municipality and must report direct to the Chief Financial Officer or official designated by the Head Supply Chain Management.
  - (c) A technical expert in the relevant field who is an official, if such an expert exists, and may when appropriate, appoint an external specialists advisor.
  - (d) Bid Adjudication Committee must only undertake business when an appropriate quorum is present, consisting of 50% of its membership plus 1 member.
- (3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5)
  - (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid:
    - (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 5(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 (Note- Not applicable to S36 procurement).
- (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 if the decision is to award to a bid other than that recommended.
- (8) The bid adjudication committee must at all times adhere to the requirements of MFMA circular 34 from National Treasury.
- (9) No item may be considered at the Bid Adjudication Committee unless the appropriate SCM compliance check has been undertaken and the item has been cleared for acceptance onto the agenda except where otherwise approved by the Chairperson.



- (10) The municipality shall consider the holding period of the validity of BBBEE certificate and Tax clearance certificate or Tax compliance status with a PIN number to be at the close of tender.
- i. The SCM practitioners of the municipality is expected to make all means possible to notify the bidder as soon as the award is made to furnish the municipality with required documents within the suspensive period of seven (7) working days.
  - ii. If a bidder is in arrears with utilities and has an arrangement with the municipality to offset the arrears this arrangement is acceptable and the bidder may not be disqualified. The bidder must furnish the proof of agreement. This agreement must have been in place at the time of submission and cannot be *ex post facto*.

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

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

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

- (1) The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

- (3) The Accounting Officer must notify SITA together with a motivation of the IT needs if –
  - (a) The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
  - (b) The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.
- (5) Prior authority to utilize SITA must be sought through Bid Adjudication Committee.
- (6) Any agreement with SITA must be approved by the Bid Adjudication Committee.

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

- (1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if:
  - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - (b) there is no reason to believe that such contract was not validly procured;
  - (c) there are demonstrable discounts or benefits to do so; and
  - (d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Subparagraphs (1) (c) and (d) do not apply if –
  - (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.
- (3) Any procurement of goods and services under contracts secured by other organs of state must be approved by the Bid Adjudication Committee.

- (4) If the municipality wants to invoke the use of this regulation as part of its procurement strategy for competitive bidding process, the municipality must ensure that procurement of such goods and services is part of the procurement plan for applicable financial period.
- (a) the scope of the services or works or the quantities of goods in terms of municipal specifications must be exactly the same as those included in the contract awarded by the other organ of state.
  - (b) the tender unit price that is included in the contract of the municipality must be exactly the same or lower as the unit price that was included in the contract secured by the other organ of state.
- (5) Read with sub-paragraph (1) above, the general preconditions of documentation required for consideration of contracts secured by other organs of state before the contract is concluded are:
- (a) Copy of the public invitation to tender issued by the organ of state;
  - (b) Copy of the tender documentation/scope of work/RFP that was issued to bidders;
  - (c) Copy of the Bid Evaluation/Adjudication Report;
  - (d) Copy of the letter of award/letter of appointment;
  - (e) Copy of the Service Level Agreement dealing, inter alia, start and the end of dates of the contract;
  - (f) Minutes of bid committees and
  - (g) Consent letter from an organ of state and service provider wherein both parties consent to the use of the service provider secured by the other organ of State.
- (6) The Municipality must conclude its own contract with the service provider.
- (7) Municipalities may participate in a transversal term contract facilitated by National Treasury, or relevant Provincial Treasury. When considering participating in a transversal contract, both designated Line Department and Supply Chain Management Unit must apply the following:
- (a) Confirm the transversal contract meets the directive of supply chain management sub-regulations 32(1) (a) to (d).
  - (b) Submit an application to National Treasury on the transversal term contracts participation template.
  - (c) Ensure adequate budgets for the transversal term contract is available.

- (d) Ensure transversal term contract meets the technical specifications and quantities of the department.
- (e) Obtain transversal term contract from National Treasury.
- (f) Approval or support by Bid Adjudication Committee to utilize transversal term contract according to the supply chain management delegations.

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

- (1) The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the Accounting Officer.

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

Wherever possible, the Proudly SA Campaign should be supported to the extent that, all things being equal, preference is given to procuring local goods and services from:

- (a) firstly –suppliers and businesses within the municipality
- (b) secondly- suppliers and businesses within the relevant province; and
- (c) thirdly – suppliers and businesses within the Republic of South Africa

In giving consideration to this paragraph, the requirements of the designated sectors for Local Production and Content as issued by the Department of Trade and Industry may be taken into account.

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

- (1) The Accounting Officer may procure consulting services provided that;
  - (a) A municipality or municipal entity may only appoint consultants if there is confirmation that the affected municipality or municipal entity does not have the requisite skills or resources in its full - time employ to perform the function.
  - (b) any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if:
  - (a) the value of the contract exceeds R200 000 (VAT included); or
  - (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:
  - (a) all consultancy services provided to an organ of state in the last five years; and
  - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.
- (5) Conflict of Interest
  - i. A firm, which has been engaged by the accounting officer or authority to provide goods or works for a project and any of its affiliates, should be disqualified from providing consulting services for the same project. Similarly, a firm engaged to provide consulting services for the preparation or implementation of a project and any if its affiliates, should be disqualified from subsequently providing goods or works or services related to the initial assignment (other than a continuation of the firm's earlier consulting services as described below) for the same project, unless the

various firms (consultants, contractors, or suppliers) are performing the contractors obligation under a turnkey or design-and-build contract.

- ii. Consultants or any of its affiliates should not be hired for any assignment which, by its nature, may be in conflict with other assignment of the consultant. As an example, consultants engaged to prepare an engineering design for an infrastructure project should not be engaged to prepare an independent environmental assessment for the same project, and consultants assisting a client in the privatisation of public assets should not purchase, nor advice purchasers of such assets.

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

(1) The Accounting Officer may:

- (a) dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:
  - (i) in an emergency;
  - (ii) if such goods or services are produced or available from a single provider only;
  - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
  - (iv) acquisition of animals for zoos and/or nature and game reserves; and
  - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes;
  - (vi) in instances where it relates to event specific procurement by municipal entities which renders it impractical or impossible to follow the official procurement processes.
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

- (2) The Accounting Officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements or to a Board of Directors in the case of Municipal Entities.
- (3) Prior authority to invite quotations invoking the use of this section must be sought from the Head: Supply Chain Management unit or the Accounting Officer.
- (4) The Chief Financial Officer, Head: SCM or appropriate senior official is delegated authority to make a final award on deviations below R200 000, but these are to be included in the reports in sub-paragraph (2) above, but on a quarterly basis.
- (5) In the case of emergencies greater than R200 000 (VAT included), where practicable, prior authority must be sought via the Accounting Officer to deviate from the official processes and the Chairperson of the relevant Committee shall be notified of such emergency situation. All emergency procurement must be formalized in a report to the Accounting Officer within 1 working day.
- (6) Emergency procurement should not be used to evade the use of standard procurement procedures:
  - (a) as a consequence of insufficient stock-levels for items that are used on a daily basis unless it is demonstrated that such procurement is not due to failure to properly manage stock and or poor contract management.
  - (b) as a result of working programmes not adequately planned for; or
  - (c) as a result of no or insufficient communication between warehouses and buying offices.
- (7) The circumstances which may give rise to an emergency which may not have been foreseeable, or where it is impractical or impossible to follow official procurement processes or may have been the result of negligent conduct a motivation for the use of this section must show one or more of the following:
  - (a) the imminent threat to health, injury or death to persons;
  - (b) the imminent threat of damage to property, or suffering and death of livestock and animals;
  - (c) The unforeseeable interruption of essential services whose provision is within the municipal competency, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
  - (d) the imminent and or unforeseeable of serious damage occurring to the natural environment;

- (e) the imminent threat and or damage of the municipal assets.
- (8) The Municipality is still required to comply with Section 217(1) of the Constitution in the event of an emergency situation with specific reference to obtaining goods and services on the best possible terms.
- (9) The value of and duration of contracts which have been concluded as a result of the emergency situation must be in accordance with the goods and services required in order to address and/or remedy the immediate emergency. Any other goods and services which may be required subsequent to the emergency and relating to such emergency must wherever possible follow the normal tendering process and procedures.
- (10) Procuring goods and services from sole supplier occur in instances where:-
- (a) only one supplier manufactures or renders goods and services due to unique nature of the requirements;
  - (b) goods and services already in the municipality's value chain/employ are only supplied by an Original Equipment Manufacturer (OEM) or by a licensed agent thereof and there is a requirement for compatibility, continuity and alignment.
  - (c) the process for approved list of sole supplier(s) will be as follows:
    - (i) departments requiring the use of sole supplier must issue a circular calling for the of sole supplier(s) who wish to be on the list or database of sole suppliers. SCM Unit shall manage and maintain the list of sole suppliers.
    - (ii) response to the circular must contain appropriate motivation in terms of constitutional pillars of fair, equitable, transparent, cost effective and competitive.
    - (iii) the response to the circular and compilation of the list of sole suppliers must be categorized, screened and supported by a relevant appointed team. In instances where there is no consensus among the team members such be escalated to Head: SCM for decision and support.
    - (iv) the supported list of sole suppliers be advertised for public comments and or objections.
    - (v) in instances where there are objections, such objections be referred to the Head SCM for decision and support.



- (vi) the list of sole suppliers must be reviewed and reported annually to Head: SCM.
  - (vii) The report must outline how value for money will be achieved and managed.
- (11) Unit or Department invoking the use of section 36 (1) (a) (v) must in all reports to BAC demonstrate that the use of this provision:-
- (a) is not as a result of poor planning for it being impractical or impossible to follow the official procurement processes. Where there is a risk of poor planning or negligence proof that remedies and actions including disciplinary processes have been taken to avoid recurrence.
  - (b) has taken into account that it does not prejudice other potential tenderers where practical to invite quotes and meets the requirements of section 217 of the Constitution of the Republic of South Africa.
- (12) The respective Unit Head must sign off a report to BAC invoking section 36 (1) (a) (v) that is accepting full responsibility, accountability for the report and its contents.

### **37. Unsolicited bids**

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if:
  - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
  - (c) the person who made the bid is the sole provider of the product or service; and
  - (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with:
  - (a) reasons as to why the bid should not be open to other competitors;

- (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) All written comments received pursuant to subparagraph (3), including any responses from the 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 delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account:
- (a) any comments submitted by the public; and
  - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

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

The Accounting Officer must establish measures for the combating of abuse of the supply chain management system as follows:

- (1) The Accounting Officer must:
  - (a) take all reasonable steps to prevent abuse of the supply chain management system;
  - (b) investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices, including but not limited to when a Unit or Department starts a competitive bidding process but fails to close off the process, if it no longer requires that procurement, by submitting a report to Bid Committees for their approval or failure to comply with this supply chain management policy, and when justified:
    - (i) take appropriate steps against such official or other role player; or
    - (ii) report any alleged criminal conduct to the South African Police Service.
  - (c) take all reasonable steps to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector and/or blacklisted by the Municipality;
  - (d) reject any bid from a bidder if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
  - (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
  - (f) cancel a contract awarded to a person if:
    - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

- (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person.
  - (iii) cancellation or termination of contract must be subject to the provisions of Promotion of Administrative Justice Act 3 of 2000.
  - (iv) cancellation or termination of contract must be approved by the Bid Adjudication Committee
- (g) Reject the bid of any bidder if that bidder or any of its directors –
- (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system, and has been blacklisted in terms of this policy;
  - (ii) has been convicted for fraud or corruption during the past five years;
  - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years;
  - (iv) has been listed in the Register for Tender Defaulters In terms section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004); and
  - (vi) has been blacklisted by the Municipality.
- (2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

### **39. Logistics management**

Logistics management must provide for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.

(1) **General Logistics**

(a) Purchase orders:

- (i) will be created for bids and quotations;
- (ii) will be captured on the appropriate financial management system exclusive of VAT; and
- (iii) approvals will be systems based and shall be authorized by the SCM Unit only.

(2) Goods received will be captured on the appropriate financial management system via a “Goods Received Note” with reference to the relevant purchase order.

(3) The Treasury Department’s Assets Section (for asset creation) and Insurance Section (for claims) will be informed of the purchase via the appropriate financial management system at the end of the procurement process and in terms of other applicable policies.

(4) Deliveries of goods may not exceed the order quantity. Short deliveries will keep the purchase order open until the balance of the order is received or cancelled.

(5) The acknowledgment of the receipt of goods and/ or services and/or works by the Municipality means that the Municipality acknowledges those goods and/ or services and/or works have been received and are in accordance with the quality and standard required.

(a) The acknowledgement by the Municipality also serves to confirm that payment for received goods and/or services and/or works can be effected.

(6) A designated official is required to monitor and expedite outstanding purchase orders.

(7) Reminder letters may be sent to contractors based on the reminder levels (days before delivery due date) that are set out in the purchase order.

(8) The Municipality’s Fleet Management policy must be adhered to at all times.

(9) The performance monitoring of a contractor will be in accordance with the service provider performance management element of this policy.

(10) A contract manager:

- (a) will be a designated official of the Municipality who will attend to the administration of the contract from inception thereof;
- (b) will derive his/her duties and powers from the conditions of contract and any other applicable law;
- (c) must be fair to the parties to the contract when required to make decisions or form an opinion in respect of the contract, whilst always acting in the best interests of the Municipality;
- (d) ensure that all the necessary formalities in the signing up of the contract and/or issuing the purchase order(s) are adhered to;
- (e) ensure that contracts related to the procurement of goods and/or services and/or works are captured on the appropriate financial management system;
- (f) ensure that all original contract documentation is lodged with the Supply Chain Management Unit for record purposes;
- (g) must where appropriate, authorise payments due in terms of the contract by processing payment certificates (if applicable), and ensuring that the necessary Service Entry Sheets or Goods Received Notes are captured on the appropriate financial management system;
- (h) manage amendments, variations and procedures in terms of the contract;
- (i) administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;
- (j) conduct a post contract review;
- (k) maintain accurate and detailed records to create an audit trail;

- (l) must act with care and diligence;
  - (m) must observe all accounting and legal requirements;
  - (n) must ensure that payments are paid within 30 calendar days of **the receipt of valid** invoice. In respect of Exempted Micro Enterprise (EME) payments must be paid within 14 days of the receipt of a valid invoice without EME being subjected to offer any discounts to the Municipality.
- (11) Departmental Heads shall be responsible for ensuring that contract managers:
- (a) are assigned to all contracts within the Department Head's area of responsibility; and
  - (b) are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.
- (12) All Unit Heads must submit as part of the Budget Approval process a procurement plan containing all planned procurement. This procurement plan must be approved by the Unit Head or his/her delegate prior to its submission.
- (13) A central contracts register is to be maintained for all contracts within the municipality. Items will only be permitted onto the register if contained within an approved procurement plan.
- (14) Stock is valued on the weighted average/standard costing method per plant and is VAT exclusive. Input VAT is claimed upon purchase and output VAT is accounted for at the time of issue according to the accounting policy.
- (15) Stock items must be systematically replenished using the re-order point planning strategy and open reservations must be taken into account during the replenishment run.
- (16) Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centres, projects and assets under construction.
- (17) Purchase orders will be created, where applicable, with reference to replenishment requisitions in respect of term supply contracts for goods and:

- (a) replenishment requisition approvals will be systems based.
  - (b) all replenishments will be effected via the Acquisition Management System.
- (18) The registered stores function shall be decentralised but will operate under the jurisdiction of the Supply Chain Management Unit.
- (a) The Supply Chain Management Unit must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.
- (19) Management of inventory must be in accordance with the Inventory Policy attached in this document as annexure 4.

#### **40. Disposal management**

- (1) The system of disposal management for the disposal or alienation of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, is as follows:
- (2) The disposal or alienation of assets must:
- (a) Be by one of the following methods:
    - (i) transferring the asset to another organ of state in terms of a provisions for the transfer of assets;
    - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
    - (iii) the alienation of the asset; or
    - (iv) destroying the asset, after taking into account re-cycling;
  - (b) Provided that:



- (i) immovable property may be sold only through a competitive bidding process 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;
  - (iii) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
  - (iv) in the case of the disposal of firearms, the National Conventional Arms Control Committee must have approved any sale or donation of firearms to any person or institution within or outside the Republic;
- (c) Furthermore ensure that immovable property is alienated at market related values, except when the public interest or plight of the poor demands otherwise; and or
- (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.
- (d) Ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.
- (e) In the event that a specialised plant item is disposed before it reaches the end of its projected life cycle and/or before the asset is fully depreciated which will normally occur when a higher capacity or specified product is available in the market and where demonstrated that such improvement will reduce the operating costs and improve productivity to the municipality, the following procedure shall apply in such an event:
- (i) the Original Equipment Manufacturer (OEM) or the authorised agent shall provide the Municipality with official quotation to trade in the asset;

- (ii) the Municipality shall obtain an additional quotation from an independent industry specialist that would provide a market value of the asset;
  - (iii) in the event of the offer received from the OEM or agent being lower than that of the industry specialist, the relevant Departmental and a Supply Chain official shall make representation to the OEM or the authorised agent with a view to them reviewing their offer to that of the industry specialist; and
  - (iv) a report shall be submitted to the Bid Adjudication Committee recommending the acceptance of an offer from an OEM or authorised agent to trade in an item of specialised plant on an improved model. Ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.
- (f) Disposal of land must be carried out in accordance with the municipality Land Disposal and Granting of Property Rights Policy as duly authorized and approved by Municipal Council.
- (g) Letting of immovable assets must be carried out in accordance with a duly authorized and approved Land Disposal and Granting of Property Rights Policy.

#### **41. Risk management**

- (1) The Accounting Officer must ensure 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.

#### **42. Performance management**

- (1) The Accounting Officer must ensure an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the desired objectives were achieved.
- (2) Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:
  - (a) value for money has been attained;
  - (b) proper processes have been followed;
  - (c) desired objectives have been achieved;
  - (d) there is an opportunity to improve the process;
  - (e) suppliers have been assessed and what that assessment is; and
  - (f) if there has been deviation from procedures and, if so, what the reasons for that deviation are.
- (3) The performance management system shall accordingly focus on, amongst others:
  - (a) achievement of goals;
  - (b) compliance to norms and standards;
  - (c) savings generated;
  - (d) cost variances per item;
  - (e) non-compliance with contractual conditions and requirements; and
  - (f) the cost efficiency of the procurement process itself.
- (4) For all contracts, a close-out report is required on completion of the contract, which includes the points raised in subparagraphs (2) and (3) above.

- (5) For all annual supply, period, or term contracts, the report to the Bid Specification Committee for the new or replacement contract, must include the points raised in subparagraphs (2) and (3) above as at a particular point in the contract it replaces.
- (6) For monitoring performance on individual contracts see also the service provider performance management section of this policy.

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

- (1) The Accounting Officer must ensure that, irrespective of the procurement process followed, no award above R30 000 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) If a municipality / municipal entity is in possession of a supplier's original valid tax clearance certificate or Tax Compliance Status with a PIN number through National Treasury Central Supplier Database, it is not necessary to obtain a new tax clearance certificate or a TAX compliance status with a PIN number each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate or a Tax compliance status with a PIN number that is in the municipality's / municipal entity's possession including but not limited to Central Supplier Database record. Cross-reference must be made to the original tax clearance certificate or Tax compliance status with a PIN number for audit purposes.

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

- (1) The Accounting Officer must ensure that irrespective of the procurement process followed, no award may be given to a person in terms of this Policy:
  - (a) employees of the municipality and municipal entities;
  - (b) employees of national and provincial spheres of government;
  - (c) employees of constitutional institutions in terms of schedule 1 of PFMA;
  - (d) employees of major public entities in terms of schedule 2 of PFMA;

- (e) employees of other public entities in terms of schedule 3 of PFMA
  - (f) 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
  - (g) a person who is an advisor or consultant contracted with the municipality or municipal entity.
  - (h) a Councilor of the municipality appointed through the Municipal Structures Act;
  - (i) including any other person not specifically mention in (a) to (g) above but whom receives a remuneration and is subject to the conditions of employment of such entities outlined above.
- (2) Ward Committee Members receiving remuneration from the municipality but are not subject to the conditions of employment are not considered to be in the service of the state.
- (3) The municipality further reserves its rights to immediately cancel any contract if such conflicts are discovered after the award of a contract.

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

- (1) The notes to the annual financial statements must disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:
- (a) the name of that person;
  - (b) the capacity in which that person is in the service of the state; and
  - (c) the amount of the award.

## 46. Ethical standards

- (1) A code of ethical standards is hereby established, in accordance with subparagraph (2), for officials and other role players in the supply chain management system 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:
  - (a) must treat all providers and potential providers equitably;
  - (b) may not use his or her position for private gain or to improperly benefit another person;
  - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
  - (d) notwithstanding subparagraph (2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
  - (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 or municipal entity;
  - (h) must assist the Accounting Officer in combating fraud, corruption, favoritism 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, favoritism or unfair conduct;

- (ii) any alleged contravention of paragraph 47(1) of this policy; or
  - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2) (d) and (e):
  - (a) must be recorded in a register which the Accounting Officer must keep for this purpose;
  - (b) by the Accounting Officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
- (5) The municipality adopts the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity. A copy of the National Treasury code of conduct is available on the website [www.treasury.gov.za/mfma](http://www.treasury.gov.za/mfma) located under "legislation".
- (6) A breach of the code of conduct adopted by the municipality must be dealt with in accordance with Schedule 2 of the Systems Act.

**47. Inducements, rewards, gifts and favors to municipalities or municipal entities, officials and other role players**

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
  - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
  - (b) any reward, gift, favor or hospitality to:
    - (i) any official; or
    - (ii) any other role player involved in the implementation of the supply chain management policy.

- (2) The Accounting Officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

#### **48. Sponsorships**

- (1) The Accounting Officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:
  - (a) a provider or prospective provider of goods or services; or
  - (b) a recipient or prospective recipient of goods disposed or to be disposed.

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

- (1) Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action to the City Manager unless it is an emergency procurement.
- (2) If aggrieved person(s) request a copy of tender submission(s) a non-refundable administrative charge of R500.00 shall be applicable if hard copies of tender submission(s) are to be obtained from the Municipality.
- (3) In the case of emergency procurement, Section 36(1)(a)(i) of the SCM Policy, the Accounting Officer is permitted to adjust the period for Objections and Complaints to 48 hours. This will accordingly be reported as a note in the SCM Monthly Awards reports.



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

- (1) The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes:
  - (a) to assist in the resolution of disputes between the Municipality and other persons regarding:
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must:
  - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:
  - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
  - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.
- (7) Reports on appeals are to be included in the normal SCM monthly, quarterly and annual reports.

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

- (1) If a service provider acts on behalf of a Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate:
  - (a) a cap on the compensation payable to the service provider; and
  - (b) that such compensation must be performance based.
- (2) The specifications for all such contracts must also be approved by the Bid Specification Committee.

## 52. Preferential Procurement

- (1) All procurement of goods, services and works are to be in compliance with this policy.
- (2) The unit responsible for the management of this policy is the Supply Chain Management Unit.
- (3) All DCM's and Unit Heads responsible for the procurement of goods, services and/or works are, however, responsible for compliance with this policy within their areas of control, and will be held accountable where transgressions to policy are encountered.
- (4) **Identification of preference point system**
  - (1) The Municipality must in its tender documents, stipulate—
    - (a) the applicable preference point system as envisaged in 4 (3); (4) and (5) below;
    - (b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.
  - (2) If it is unclear whether the 80/20 or 90/10 preference point system applies, the Municipality must in its tender documents, stipulate in the case of—
    - (a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
    - (b) any other invitation for tender, 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.

(3) **The formulae for the 80/20 and 90/10 preference points system are as follows:**

(a) the price in respect of bids (including quotations) with an estimated Rand value of greater than R30 000 and up to a Rand value of R50 000 000 (all applicable taxes included):

$$P_s = \frac{80 [1 - (P_t - P_{min})]}{P_{min}}$$

(b) the price in respect of bids (including price quotations) with an estimated Rand value of greater than R50 000 000 (all applicable taxes included):

$$P_s = \frac{90 [1 - (P_t - P_{min})]}{P_{min}}$$

*Where:*

$P_s$  = Points scored for comparative price of the bid under consideration;

$P_t$  = Comparative price the bid under consideration; and

$P_{min}$  = Comparative price of the lowest responsive bid.

(4) **The formulae for the 80/20 preference points system for income generating contract are as follows:**

(a) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

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

Where-

$P_s$  = Points scored for price of tender under consideration;  
 $P_t$  = Price of tender under consideration; and  
 $P_{min}$  = Price of highest acceptable tender.

(b) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(c) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(d) Subject to section 2(1)(f) of the PPPFA, the contract must be awarded to the tenderer scoring the highest points.

(5) **90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million are as follows:**

(a) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left[ 1 - \frac{P_t - P_{max}}{P_t - P_{min}} \right]$$

Where-

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{min}$  = Price of highest acceptable tender.

(b) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

(c) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(d) Subject to section 2(1)(f) of the PPPFA, the contract must be awarded to the tenderer scoring the highest points.

(5) Cancellation of tenders

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

(i) due to changed circumstances, there is no longer a need for the goods or services specified in the invitation

(ii) funds are no longer available to cover the total envisaged expenditure

(iii) no acceptable tender is received

(iv) there is material irregularity in the tender process.

(b) The decision to cancel a tender invitation in terms of sub regulation (a) must be published in the same manner in which the original tender invitation was advertised.

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

(d) If the tender estimate is close to the Rand value of a prescribed threshold than both 80/20 and 90/10 preference point system be stipulated in the tender document.

(6) Bidders may score up to 20 or 10 preference points for their B-BBEE status level of contribution as may be indicated in the terms and conditions of tender.

(7) All bidders will have to submit BEE rating certificates, issued by either verification agencies accredited by the South African Accreditation System (SANAS) or by registered auditors approved by the Independent Regulatory Board for Auditors (IRBA) or sworn affidavits in a case of Exempted Micro Enterprises or Qualifying Small Enterprise.

(8) Any enterprise with an annual Total Revenue of R 10 million or less qualifies as an Exempted Micro-Enterprise.

(9) Exempted Micro-Enterprises are deemed to have B-BBEE Status of "Level Four Contributor" having a B-BBEE procurement recognition of 100% in terms of the Codes of Good Practice.

- (10) An Exempted Micro Enterprise (EME) with at least 51% black ownership qualifies as a Level 2 contributor with BBBEE level of 125% in terms of the Codes of Good Practice.
- (11) An Exempted Micro Enterprise with 100% black ownership qualifies as a Level 1 contributor with BBBEE level of 135% in terms of the Codes of Good Practice.
- (12) An Exempted Micro Enterprise that is regarded as a specialized enterprise with at least 75% black beneficiaries qualifies as a Level 1 contributor with BBBEE level of 135% in terms of the Codes of Good Practice.
- (13) An Exempted Micro Enterprise that is regarded as a specialized enterprise with at least 51% black beneficiaries qualifies as a Level 2 contributor with BBBEE level of 125% in terms of the Codes of Good Practice.
- (14) A Qualifying Small Enterprise (QSE) with at least 51% black ownership qualifies as a Level 2 contributor.
- (15) A QSE with 100% black ownership qualifies as a Level 1 contributor.
- (16) A QSE that is regarded as a specialized enterprise with at least 51% black beneficiaries qualifies as a Level 2 contributor with BBBEE level of 125% in terms of the Codes of Good Practice.
- (17) A QSE with less than 51% black ownership is required to submit a BBBEE level verification certificate issued by BBBEE verification professional.
- (18) A Trust, consortium or joint venture:
  - (a) must submit a B-BBEE status level certificate in order to qualify for points;
  - (b) will qualify for points as an unincorporated entity provided, that they submit their consolidated scorecard is prepared for separate tender; and
  - (c) where no consolidated scorecard exists, the weighted average (in accordance with participation percentages) will be used and rounded off to the nearest status level.



(19) If a service is provided by only tertiary institutions, such services must be procured from the tertiary institutions identified by means of bidding process. Tertiary institutions must submit their B-BBEE status in terms of the B-BBEE Codes of Good Practice Specialized Scorecard.

(20) Gazetted Sector Codes supersede Generic Codes and they are legally binding and enforceable. The current list is as follows:

(1) Gazetted in terms of section 9 (1):

(a) Tourism;

(b) Construction;

(c) Forest;

(d) Integrated Transport;

(e) Chartered Accountancy

(2) Gazetted in terms of Section 9 (5):

(a) Property

(b) Financial Services Charter

(c) ICT

(3) The following is submitted for consideration for gazette in terms of section 9 (5):

(a) AgriBEE Charter

(4) The following is Gazetted in terms of Section 12:

(a) MAC

*And Where:*

- i) a gazette under Section 12 means that the Charter is merely a statement of intent by stakeholders;
- ii) a gazette under Section 9 (5) means the Charter is gazetted for 60 days to give members of the public an opportunity to make comments and inputs;
- iii) a gazette under Section 9 (1) means the Charter is legally binding and enforceable within the sector, and it supersedes the Generic Codes

(21) Sub-Contracting:

- a) B-BBEE points must not be awarded to a tenderer who intends sub-contracting more than 25% of the value of the contract to an enterprise that does not qualify for at least the points that such contractor qualifies for, unless the intended sub-contractor is an EME who has the ability and capability to execute the contract.
- b) A person awarded a contract may not sub-contract more than 25% of the value of the contract to an enterprise that does not have an equal or higher B-BBEE status level, unless the intended sub-contractor is an EME who has the ability and capability to execute the contract.
- c) A person awarded a contract in relation to a designated sector may not sub contract in such a manner that the local production and content of the overall value of the contract is reduced to below the prescribed minimum threshold.
- d) If feasible to subcontract for a contract above R30 million, an organ of state must apply subcontracting to advance designated groups.
- (e) Bids that are between the contract value of R5 million and R30 million inclusive of VAT must, where feasible, allow for subcontracting in line with the Council approved Economic Empowerment Framework.

## (22) **The Basket of Preference Goals**

- (a.) The basket of preference goals as contained in the relevant legislation are listed hereunder and the Municipality is at liberty to apply specific goals in any combination format depending on their preference targets. Municipality may include in their policy specific goals as part of their tendering conditions.

### **22.1. Preference Goal 1**

#### **Ownership as specific goal**

A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), may be allocated. Bidder may score preference points based on company ownership.

If the Municipality applies ownership as specific goal, the the Municipality must advertise the tender with a specific tendering preferential procurement requirement that in order for a tenderer to claim 10 / 20 points for specific goals, a tendering company must have the following ownership:

- race, (Historically Disadvantaged Persons) or
- gender (Historically Disadvantaged Persons) or;
- disability (Historically Disadvantaged Persons).

Ownership verification may be conducted through the Companies and Intellectual Property Commission (CIPC).

### **22.2. Preference Goal 2**

#### **RDP Goals**

Over and above the awarding of preference points in favour of HDIs, the following activities may be regarded as a contribution towards achieving the goals of the RDP (published in Government Gazette No. 16085 dated 23 November 1994):

- a. The promotion of South African owned enterprises;
- b. The promotion of export orientated production to create jobs;
- c. The promotion of SMMEs;

- d. The creation of new jobs or the intensification of labour absorption;
- e. The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
- f. The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
- g. The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered;
- h. The promotion of enterprises located in rural areas;
- i. The empowerment of the work force by standardising the level of skill and knowledge of workers;
  
- j. The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- k. The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organizations.

The Municipality may also use other RDP goals identified in the Government Gazette No. 16085 dated 23 November 1994;

<https://www.gov.za/sites/default/files/governmentgazetteid16085.pdf>

### **22.3. Preference Goal 3**

#### **Combinations of any other Goals**

The Municipality may also combine any specific goals above in a manner that will help them evaluate and apply preference points to tenders.

- (23)(1) The Bid Specification Committee shall set appropriate Local Economic Development Targets in the form of Contract Participation Goals and or Targeted Procurement objectives which must form part of the invitation to tender, set as performance criteria within contracts, where appropriate, for the following target groups:

- (a) Priority population groups
  - (b) Women
  - (c) Youth
  - (d) Disabled
  - (e) Co-operatives
  - (f) Military Veterans
  - (g) Location of a Business Enterprise
- (2) Tender(s) received need to be evaluated in terms of the preference point system first. Once the highest points scorer has been ascertained only then the targeted procurement will be applied. Targeted Procurement will justify the award of tender to a tenderer with lower preference points score.
- (3) Targeted Procurement Criteria will be applied, where feasible, on a tender-by-tender basis.
- (4) In an event where a tender with the highest number of preference points score does not meet the targeted procurement criteria set for the specific tender, then the next responsive tender with a lower preference points score and who meets targeted procurement criteria must be considered for the award of a tender.

If the tendered price of the next responsive tender who meets the targeted procurement criteria is too high than that of a tender with a highest number of preference points score, the organ of state must ensure that a cost effective price is derived through employing one of the following options through a negotiation process with the preferred bidder:

- (a) That the next responsive tender who meets targeted procurement criteria accepts the lowest responsive price of a tender that did not meet the targeted procurement criteria

OR

- (b) That the next responsive tender accepts a tender price that is market related as was determined by the Municipality through the budgeting process of the tender itself.

- (5) Where negotiations fail the Municipality reserves the right to cancel the tender or consider the highest scoring bid in terms of preference points scoring.

- (24) Address declared by the prospective bidder in the National Treasury Central Supplier Database (CSD) or in EThekweni Municipality Vendor Portal shall be used to determine the location of a business enterprise.

- (25) The preference points system is still to be used on the sale or letting of assets and in accordance with the disposals management section of this policy.

- (26) Criteria for breaking deadlock in scoring:

- (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 specific goals.
- (2) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

(27) Remedies:

(1) If the Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must—

(a) inform the tenderer accordingly, and

(b) give the tenderer an opportunity to make representations within 14 days as to why the tender may 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.

(2) After considering the representations referred to in subregulation (1)(b), the Municipality may if it concludes that such information is false—

(a) disqualify the tenderer or terminate the contract in whole or in part; and

(b) if applicable, claim damages from the tenderer.

### **53. PERFORMANCE MONITORING OF SERVICE PROVIDERS**

A municipal service can be provided by the Municipality by entering into a Service Delivery Agreement in terms of Section 76(b) of the Municipal System Act 32 of 2000 with an external service provider. The Municipality is responsible for monitoring and assessing the implementation of the agreement, including the performance of the service provider in accordance with section 41 of the Municipal Systems Act 32 of 2000.

The performance of service providers that have been selected to provide assistance in the provision of a municipal service, otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies, is required, by Section 116 of the Municipal Finance Management Act, to be monitored and reported on.

Section 53 of this policy apply to contracts that have been awarded or reviewed, before or after the adoption of this policy. Furthermore this policy applies to all tenders with a contract value greater than R10million VAT included.

The objectives of the Performance Monitoring of Service Providers is to:-

- i. Ensure a high quality of service is maintained
- ii. Detect underperformance early, thereby reducing the risks to projects
- iii. Create mechanisms to improve performance where targets are not being achieved
- iv. Provide data to municipal officials so that informed decisions can be made
- v. Assist in government's developmental objectives in the form of structuring appropriate business
- vi. support strategies/interventions to targeted enterprises
- vii. Assess the suitability of a service provider for pre-qualification, selective tender lists or expressions of interest

While departments have mechanisms in place to monitor the work done by service providers, the following is the minimum standard set.

- (1) All service providers or prospective service providers must be made aware of:
  - (a) the requirement for the assessment and reporting of a service provider's performance;
  - (b) the use of the service provider performance reports when evaluating service providers for registration, pre-qualification, selective tender list, expressions of interest or awarding of a contract; and
  - (c) the exchange of information on service provider performance reports between government units and/or departments.
  - (d) Monitoring of performance against contract must also include skills transfer to municipality in line with the roles and responsibilities outlined in sub-regulation 23 below.
- (2) The appointed service provider must be given the opportunity to discuss the performance criteria with the Implementing Department before commencement of the contract.
- (3) Any changes to the performance criteria must be agreed to by the Municipality and the service provider.
- (4) The decision to change a performance criteria after commencement of a contract is the responsibility of the Reporting Officer.



- (5) These amendments must be signed by the service provider and the client and implementing department and attached to the contract or service delivery agreement.
- (6) A service provider's performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Municipality and service provider under the contract must be taken into account.
- (7) The delegated official preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:
  - (a) outside the service provider's control, or
  - (b) the result of some action by the Municipality; and
  - (c) measure the service provider's performance after taking into account subparagraphs (a) and (b).
- (8) If there is evidence that the underperformance or non-performance of the service provider is due to factors caused by the Municipality then:
  - (a) there will be no penalization of the service provider
  - (b) the Accounting Officer, or delegated official, must take corrective action where necessary.
- (9) The performance assessment reports will be made available to inter-departmental, inter-governmental departments and the CIDB (where applicable) only:
  - (a) on completion of a contract; and
  - (b) if there are no pending disputes.
- (10) The Service Provider must be notified of the assessment.
- (11) The Service Provider may respond on the assessment, in writing, and this must be filed with the assessment.
- (12) The conditions of appointment set in the contract will determine what action will be taken against the service provider if underperformance or non-performance is detected.

- (13) Appropriate key performance indicators for the contract must be set by the Municipality as a yardstick for measuring performance.
- (14) Measurable targets must be set for each key performance indicator.
- (15) The SMART principle as laid out in the Municipality's Organisational Performance Framework must be followed in developing key performance indicators. (Specific, Measurable, Achievable, Realistic, Time-framed)
- (16) The management of the contract and the performance of the service provider must be reported quarterly to the Council of the Municipality in the format set by the SCM Unit.
- (17) The performance information will be audited:
  - (a) as part of the Municipality's internal auditing process; and/or
  - (b) annually by the Auditor-General.
- (18) The Municipality will endeavor to facilitate support interventions to service providers in the identified areas of underperformance.
- (19) Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
- (20) The support interventions may be:
  - (a) sponsored by the Municipality,
  - (b) subsidised by the Municipality; or
  - (c) paid for by the attending service provider.
- (21) Records of support interventions and attendance registers must be signed by all parties and filed.
- (22) The impact of the support interventions provided by the Municipality to the service provider must be monitored.

(23) The table below outlines the roles and responsibilities of municipal officials in the management of service provider performance.

ROLE	RESPONSIBILITY
Reporting Officer	<ul style="list-style-type: none"> <li>• Line Departments</li> <li>• Monitor and assess work done or service provided as per the service delivery agreement or contract</li> <li>• Report on the performance of the service provider</li> <li>• Monitor, review and report on skills transfer in a contract</li> </ul>
Reviewing Officer	<ul style="list-style-type: none"> <li>• Review the assessment made by the reporting officer</li> </ul>
Supply Chain Management	<ul style="list-style-type: none"> <li>• Manage the performance monitoring process</li> <li>• Report on contract management and service provider performance to council quarterly</li> <li>• Report to Council annually on the performance of service providers</li> <li>• Investigate and report on the impact of the interventions on areas of underperformance as part of the quarterly and annually report.</li> <li>• Review the policy and process annually.</li> <li>• Liaise with Business Support Unit on interventions for underperforming areas.</li> </ul>
Accounting Officer: Delegated to Performance Management Unit	<ul style="list-style-type: none"> <li>• Ensure that KPI's are included in the appropriate Individual Performance Plan of the Municipal Official</li> <li>• Review the policy and process annually.</li> <li>• Facilitate the quarterly and annual report to internal audit</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Audit the performance information</li> </ul>

ROLE	RESPONSIBILITY
Business Support Unit	<ul style="list-style-type: none"> <li>• Facilitate support interventions to address the underperforming areas</li> </ul>

- (24) The requirements of this policy must be included in the contract of the service provider.
- (25) The performance of the contractor under the contract or must be assessed monthly by the Reporting Officer.
- (26) The assessment must be filed in the contract file or captured onto the database.
- (27) The Reporting Officer must complete the Service Provider Assessment Form on the database at the end of each quarter and on completion or termination of the contract in the prescribed format.
- (28) The Reviewing Officer must review the assessment on the database for each quarter.
- (29) The quarterly assessment must be completed within 15 working days after the end of each quarter.
- (30) The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period.
- (31) Supply Chain Management Unit will review the quarterly Service Provider Assessments within 20 days after the end of each quarter. This process will include verification and may require a site visit.

**54. Green procurement**

- (1) Eco procurement, or green procurement, is procurement that takes into account environmental criteria when goods and services are purchased, so that the related environmental impact is minimised.
- (2) Eco procurement aims to:
  - (a) encourage a decrease in energy and resource use;

- (b) promote environmental best practice in terms of waste minimisation and management, water and energy efficiency and conservation, pollution reduction and socio-economic development; and
- (c) encourage suppliers to change their behaviour and to provide for environmental issues in the design, manufacture and disposal of their products.

The development of Eco procurement as part of the eThekweni Municipality SCM policy is supported.

- (3) In order to further develop an Eco procurement policy, a steering committee will be constituted that will work with the relevant stakeholders to identify and prioritise products/services for which specific environmental selection criteria will be developed.
- (4) The environmental criteria for the different products/services will become integrated into Supply Chain Management processes as they become adopted.
- (5) Training and communication will be undertaken with the relevant stakeholders to ensure their understanding of the specifications and how these translate into the adjudication of tender submissions.
- (6) The questionnaire overleaf is an example of environmental criteria that may be considered for materials management suppliers. It is adapted from the KwaZulu Natal Department of Economic Development and Tourism’s “Draft White Paper On Greening The Procurement Of Goods And Services In The Provincial Government Of KwaZulu Natal”

**Sample Green Procurement questionnaire:**

Manufacturing Phase		Allowed for in Specification
(i) Can recycled materials been used in the product?  If the proportion of content made up by recycled materials is known, capture this information.	Y/N  (% content of product)	Y/N

(ii) Can the manufacturer take steps to avoid and minimise the generation of waste in the production of the goods?	List actions taken	Y/N
(iii) Can the manufacturer taken steps to minimise the use of energy in the production of the goods?	List actions taken	Y/N
(iv) Can the manufacturer taken steps to minimise the emissions of air pollutants in the production of the goods?	List actions taken	Y/N
(v) Does the manufacturer use any hazardous substances in the product?	Y/N  If Y, list hazardous substances used	Y/N
<b>Use Phase</b>		
(vi) Can the product be reused (e.g. able to accept refills of ink)?	Y/N  Detail how it could be reused.	Y/N
(vii) Does the product have an Energy Star rating? Is the product energy efficient?	Y/N  Supplier to compare energy efficiency with other similar products.	Y/N
(viii) Does the product come with a supplier guarantee of quality?	Y/N  Y/N	Y/N

(ix) Does the product come with a maintenance plan?		
<b>Disposal Phase</b>		
(x) Can the product be recycled?	Y/N	Y/N
(xi) Has the supplier provided information on how he plans to dispose of the product? (xii) Has he considered environmentally friendly options?	Y/N List disposal options	Y/N
(xiii) Where hazardous substances are used, has the supplier detailed how he plans to dispose of the product?	Y/N List disposal options	Y/N

**55. Amendments to contracts – MFMA Section 116(3)**

- (1) This section is applicable to all contracts and Circular 62 and Section 116(3) of the Act must be complied with in respect of amendments to contracts.

Section 116(3) of the Act states:

“A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after-

- (a) The reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent
- (b) The local community-
  - i. has been given reasonable notice of the intention to amend the contract or agreement; and
  - ii. has been invited to submit representations to the municipality or municipal entity”
- (c) Reports for the application of the amendments to contract must include sufficient details including all previous amendments or variations, the start and the end dates of a contract, original contract

value, proposed additional contract value, percentage of the proposed additional contract value against original contract value

**The Policy and Process for Major Amendments to Contracts:**

- (2) Step1 of the process is for the Line Department to seek authorisation from the Deputy City Manager of the Cluster and Head: SCM to issue a public advert to solicit public views regarding the proposed amendment to contract.
  
- (3) There must be a consideration of Section 33 of the MFMA for contracts exceeding three years
  - (i) There must be a periodic review of contract or agreement once every three years in a case of a contract or agreement for longer than three years.
  
- (4) Step 2 of the process is the submission of a Report to Bid Adjudication Committee recommending approval of Major Amendments to a Contract
  - (a) The contents of the report must contain:
    - (i) proof that Steps 1 for Major Amendments have been followed, together with associated documentation; and
    - (ii) results of advertising in terms of Section 116(3) (b) (i) & (ii) of the MFMA, and the results thereof showing representations received and the materiality and impact of these representations.
  - (b) Consideration must be made of Section 33 of the MFMA for contracts exceeding three years.
  - (c) Where the contract authority exceeds R10 million, or is a long-term contract, then final authority rests with the Accounting Officer.



Step 3 of the process is for the Line Department to table a report to Council of the Municipality via the Executive Committee (and/or the relevant Standing Committee) to note proposed Major Amendment to a contract and to consider the public views regarding the proposed amendment to contract.

(a) The contents of the report must contain:

- (i) proof that the contract or agreement procured was through the supply chain management policy;
- (ii) proof that there a written contract in place;
- (iii) proof that the contract been monitored on a monthly basis in terms of Section 116(2) (b) of the Act;
- (iv) proof that the contract been reported on in terms of Section 116(2) (d) of the Act;
- (v) proof and motivation that the reasons for the proposed amendments are valid
- (vi) proof that draft for EXCO has appropriate content;
- (vii) advert for the proposed amendments in terms of Section 116(3) (b) (i) & (ii) of the MFMA.
- (viii) proof of the public views regarding the proposed amendment to contract.

### **The Policy and Process for Minor Amendments to Contracts**

(1) Step 1 is the submission of a Report to the Bid Adjudication Committee recommending approval of Minor Amendments to a Contract

(a) The contents of the Report must contain:

- (i) proof that the contract was procured through the supply chain management policy;
- (ii) proof that there is a written contract in place;

(iii) proof that the contract been monitored on a monthly basis in terms of Section 116(2)(b) of the Act;

(iv) proof that the contract been reported on in terms of Section 116(2)(d) of the Act;

(v) Proof and motivation that the reasons for the proposed amendments are valid and do not exceed the thresholds for minor amendments.

(b) Consideration must be made of Section 33 of the MFMA for contracts exceeding three years.

(c) Minor amendments can only be considered if the total amended value does not exceed 20% of its original contract authority for construction related goods, services and/or infrastructure projects and 15% for all.

(d) other goods and/or services of the original value of the contract.

(e) Where the contract authority exceeds R10 million, or is a long-term contract, then final authority rests with the Accounting Officer.

(2) Step 2 of the process is the submission of a Report to Council on the Minor Amendments to contracts, including reasons for the amendments.

(a) The report to be included as a separate annexure in the standard monthly reports on tender awards made, which are produced by the Head: SCM.

(b) The Unit Heads overseeing the projects have the responsibility of ensuring that all applicable information is made available to SCM to adequately prepare these reports.

## **56. Blacklisting**

(1) The Municipality must establish an administrative committee, the Blacklisting Committee (hereinafter “The Committee”) to consider applications for blacklisting, preferably comprising officials at a senior level within the Municipality for a term to be determined by the Accounting Officer.

(2) The Committee may only act on an application from:

- (a) City Integrity and Investigations Unit or Internal Audit Unit or Legal Services Unit
- (b) DCM or Unit Head;
- (c) the Accounting Officer and or
- (d) Conflict of Interest Task Team

(3) The Municipality in its sole discretion may blacklist an entity which:

- (a) has submitted a bid to the eThekweni Municipality , through either its quotation management system or competitive bidding system, or any other procurement system utilized by the Municipality and such bid has not yet been awarded;
- (b) has been awarded a contract through the Municipality's procurement systems but has not commenced with any task order or execution of the contract and or
- (c) has been awarded a contract and has proceeded to execute such contract.

(4) Grounds for Blacklisting

The following are grounds for blacklisting, including but not limited to:-

- (a) committing an improper practice/s as defined;
- (b) failing to achieve a specified goal as stipulated in the tender document in terms of the Preferential Procurement Policy Framework Act;
- (c) committing any offence as set out in Section 12 and 13 of the Prevention and Combating of Corrupt Activities Act No. 12 of 2004;
- (d) persistent non-performance as defined, and as monitored in terms of the Performance Management Policy of the Municipality; and

- (5) An entity may be blacklisted if such entity is found to have committed an improper practice/s as outlined in 56 (4) (a) to (d) above.
- (6) The effects of blacklisting
- (a) The effect of blacklisting an entity extends to its' shareholders, and/or directors and/or members and/or partners or persons in the employ of the Entity being sufficiently complicit in the opinion of the Municipality.
  - (b) The effect of the aforesaid is that such Entity and persons are barred from doing business with the eThekweni Municipality or its Municipal Entities for a period determined by the Committee established in 56 (1) above.
  - (c) New businesses with common directors/members/shareholders or partners from those businesses which were blacklisted will be precluded from tendering with the Municipality/Municipal Entity until the expiration of the barring period pronounced upon by the Committee
  - (d) The entity may not apply for Municipal contracts until the expiry of the sanction.
  - (e) Bid Committees must reject any bid submitted to the Municipality but not yet awarded, where the committee issued an order blacklisting the bidder or the bidder is on the National Defaulters database.
  - (f) Current Contracts : The Line Department shall terminate contracts of a blacklisted entity ,at a point which is deemed most convenient for the Municipality based on prevailing circumstances preferably not exceeding (Ninety) 90 calendar days from the date of the issue of the Order.
- (7) The Committee shall have the power to:
- (a) Dismiss an application for blacklisting;
  - (b) Blacklist the entity
  - (c) defer the matter to request further and detailed information from the person making the application;

- (d) request the affected company or shareholder or director or partner or member and or management to provide information that will enable the Committee to make a justifiable order to blacklist;
  - (e) observe the principle of *audi alterem partem*;
  - (f) establish guidelines for sanctions which should be approved by the Accounting Officer for imposition;
  - (g) Communicate its decision with reasons to entities that it blacklists.
- (8) The blacklisting process:

Step 1

- (a) The person/s applying for blacklisting shall cause to be submitted to the Chairperson of the Committee, a written report making a case for the consideration of blacklisting.
- (b) Supporting documents must be attached thereto, which shall include but not be limited to documentary evidence, CIU Reports, contracts, payment certificates, invoices, communiqué's' between parties, statements of witnesses, etc.

Step 2

- (a) All members of the Committee must be furnished with the documentation in Step1 within a period of not less than 2 weeks to enable them to familiarize themselves with the allegations contained in the application.

Step 4

- (a) The City Secretariat shall prepare an agenda for the meeting of the Committee on the instructions of the Chair of the Committee.

Step 5

- (a) submissions will be considered by the blacklisting committee.
- (b) Upon receiving an application as stated in section 56 (2) The committee shall send a written

communication to the affected entity, advising them that an application for blacklisting has been received for consideration by the committee, Should the affected entity wish to review the attached report by City Integrity and Investigations Unit, it shall do so by addressing their concerns with the Head of City Integrity and Investigations Unit

- (c) Failure to take the matter on review within 14 days of receipt of written communication and report as stated above in section 56 (8) 5 b Blacklisting Committee shall consider the matter for Blacklisting.

#### Step 6

- (a) the secretariat shall cause order to blacklist be communicated in a manner deemed appropriate by the Committee to party and or parties involved.
  - (b) the order must advise the affected entity or persons of their rights of redress should they be aggrieved by the decision of the Committee.
- (9) If the matter is not deferred nor dismissed the Chairperson must advise the affected entity that the Committee has received an application for blacklisting and must make available;
- (a) the grounds, together with supporting documents for the entity to respond to the allegations in writing.
  - (b) the affected entity/shareholders/members/partners/employees shall make submission to the Chairperson of the Committee in writing , in a manner deemed appropriate by the Committee by no later than 15 working days.
  - (c) Should no submissions be received within the 15 working days, the Committee shall make a finding on the basis of the information before it, unless the affected entity has made a written application to the Chair of the Committee for an extension and such extension shall not be unreasonably refused.
  - (d) The once off extension shall not exceed 5 business days.

- (10) The Order shall set out:

- (a) the time frames within which the Appeal may be lodged;
  - (b) the details of the person to whom the Appeal may be addressed and
  - (c) the formalities, if any.
- (11) (a) If the Appeal Authority appointed in terms of section 50 of the Policy find the decision of the Blacklisting to be correct, the Committee shall uphold the decision.
- (b) The Head: SCM or his nominee must submit the names of blacklisted companies to National Treasury for inclusion on the Tender Defaulters Register together with the appropriate supporting information supplied by the Committee.

#### **57. Municipality contracting with another organ of state – MFMA Section 110**

(1) In terms of Section 110 (2) of the MFMA, Supply Chain Management Policies do not apply when services are provided by an Organ of State. A Municipal Entity will therefore qualify as an Organ of State and contracts with the ICC and Ushaka Marine World and any other entity so formed will therefore not require compliance with SCM processes.

(2) In so far as the Botanical Gardens Visitor's Complex is concerned, the Durban Botanical Garden Trust Constitution states that the objects of the Trust shall be to promote the achievements and growth of the Durban Botanical Gardens which provides botanical and horticultural material, research and expertise for protection of the National environment and for the conservation of the flora and fauna of KwaZulu-Natal in particular and of the biosphere at large.

It is clear from the above that all funding raised by the Botanical Gardens Trust will be invested in the Botanical Gardens which belongs to the eThekweni Municipality. In view of the above, it would therefore be deemed to fall within the same category as "the other Municipal Entities" and therefore SCM processes will not apply.

(3) In so far as the Moses Mabhida Stadium is concerned the rate for the hire of the venue is negotiated with the Stadium Management on behalf of the Municipality and as such is not subject to Sec 110 (2) of the MFMA.

(4) To ensure consistency in application and the appropriate controls are in place, however, it is required that all such approvals be made via the CFO or his delegate. The CFO or his delegate, are to deal with approvals in order to ensure consistency in application of this paragraph and to ensure that the appropriate controls are in place.

(5) In addition to the ICC, Ushaka Marine World, Botanical Gardens Visitors Complex, the list of Public Institutions, listed in PFMA Schedule 1, 2, 3A, 3B, 3C and 3D, as at October 2022 or as may be updated will be applicable to this policy, as detailed in Annexure A.

### 58. Special Deviations from SCM Policy

Certain procurements are to be treated as special deviations from the SCM process. This covers areas previously treated as 'Finance Payments' and the approved list is included as per the table below.

- (1) It is still necessary, however, to ensure effective controls. Therefore, prior approval must be sought from the CFO, Head: SCM, designated official or CFO for the municipal entities. Without evidence of such prior approval payments will not be authorized and be treated as irregular expenditure.
- (2) Quarterly reports are to be produced for the Accounting Officer on expenditure incurred, and/or to be incurred through a central register to be maintained by the SCM Unit.
- (3) The Accounting Officer must record the reasons for any deviations that have been incurred in terms of section 58 (1) to (7) below and report them to the next meeting of the council and include as a note to the annual financial statements or to a Board of Directors in the case of Municipal Entities.

No.	Special Deviations	Remarks	Authority
1	Seminars and Conferences	Staff members or public office bearers attending function relating to their field of expertise and continued	International to be approved by City Manager. Others by



		<p>professional development must ensure that the study tour, event and or conference will address the relevant skills gaps in the municipality.</p> <p>The number of officials or public office bearers that are scheduled or planned to attend a conference, event or study tour must be limited to three (3).</p>	delegated official.
2	IT Software Licences	Approved Software register by the Accounting Officer	Requires prior authority from both Head: SCM and CIO.
3	Subscriptions in general such - Newspapers, Magazines, music licence subscription etc	<p>Newspaper and magazine requirements for libraries and departments.</p> <p>Municipal Cost Containment Regulation prohibits the purchase of newspapers unless it is required for the professional purposes and where unavailable in electronic formats.</p>	By delegated official.

4	Advertising and Marketing	All Advertising and Marketing is done via the Communications Unit	DCM Governance & International Relations or Head  Communications or Delegated Official.  ***A report must be approved by EXCO
5	Special Events	Co-Ordinating normal and special events is done via the Communications Unit.  Catering expenses to be incurred in instances where meetings, conferences, workshops, courses, forums, recruitment interviews and proceedings of council exceed five hours.	City Manager, DCM Governance & International Relations or Head  Communications or Delegated Official.  ***A report must be approved by EXCO
6	Sponsorship and Partnering	Co-Ordinating all forms of Sponsorship and Partnering is done via the Communications Unit. This is in addition to Section 48 of this policy.	City Manager, DCM Governance & International Relations or Head  Communications or Delegated Official.

		Catering expenses to be incurred in instances where meetings, conferences, workshops, courses, forums, recruitment interviews and proceedings of council exceed five hours.	***A report must be approved by EXCO
7	Hire of Venue	Staff members making use of specific venues relating to their field of Operations that involves the Communications Unit.	City Manager, DCM Governance & International Relations or Head Communications or Delegated Official.  ***A report must be approved by EXCO

**NB:**

*Prior approval must be sought from the CFO, Head: SCM or designated official, including Head Communications, where applicable. Without evidence of such prior approval payments will not be authorized and be treated as irregular expenditure.*

*Quarterly reports are to be produced for the Accounting Officer on expenditure incurred, and/or to be incurred through a central register to be maintained by the SCM Unit*

*The non-adherence to provisions of the Municipal Cost Containment Regulations will be an act of financial misconduct as defined in section 171 and 172 of the MFMA and municipalities and municipal entities will*

*have to implement the provisions of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.*

### **59. Tender Validity**

- (1) The bid offer(s) received at the close of tender are to be accepted within the period of tender validity as stipulated in the bid document.
- (2) In an event, where, the evaluation of bids received are not concluded within the validity period, the Line Department must arrange to extend period of validity to all bidders before expiry date.
- (3) Prior approval for the extension of bid validity period must be sought from Head: SCM or designated official.
- (4) In an event, where, validity period of the bids received have expired with no extension of the period of tender validity being arranged with all bidders before the expiry of the validity period, then the tender is null and void and of no force and effect.

## **Annexure 1 - list of Public Institutions**

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*PFMA Schedule 1, 2, 3A, 3B, 3C and 3D, as at 30 September 2011*

### **SCHEDULE 1**

#### **CONSTITUTIONAL INSTITUTIONS**

1. The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities
2. The Commission on Gender Equality
3. The Financial and Fiscal Commission
4. The Independent Communications Authority of South Africa
5. The Independent Electoral Commission
6. The Municipal Demarcation Board
7. The Pan South African Language Board
8. The Public Protector of South Africa
9. The South African Human Rights Commission

## **SCHEDULE 2**

### **MAJOR PUBLIC ENTITIES**

1. Air Traffic and Navigation Services Company Limited
2. Airports Company of South Africa Limited
3. Alexkor Limited
4. Armaments Corporation of South Africa Limited
5. Broadband Infrastructure Company (Pty) Ltd
6. CEF (Pty) Ltd
7. DENEL (Pty) Ltd
8. Development Bank of Southern Africa
9. ESKOM
10. Independent Development Trust
11. Industrial Development Corporation of South Africa Limited
12. Land and Agricultural Development Bank of South Africa
13. South African Airways (Pty) Limited
14. South African Broadcasting Corporation Limited
15. South African Express (Pty) Limited
16. South African Forestry Company Limited
17. South African Nuclear Energy Corporation Limited
18. South African Post Office Limited

19. Telkom SA Limited

20. Trans-Caledon Tunnel Authority

21. Transnet Limited

All subsidiaries of the above major public entities

## **SCHEDULE 3**

### **OTHER PUBLIC ENTITIES**

#### **Part A: National Public Entities**

1. Accounting Standards Board
2. Africa Institute of South Africa
3. African Renaissance and International Cooperation Fund
4. Agricultural Research Council
5. Agricultural Sector Education and Training Authority
6. Artscape
7. Banking Sector Education and Training Authority
8. Boxing South Africa
9. Brand SA
10. Breede River Catchment Management Agency
11. Castle Control Board
12. Chemical Industries Education and Training Authority
13. Commission for Conciliation Mediation & Arbitration

14. Community Schemes Ombud Service
15. Companies and Intellectual Property Commission
16. Companies Tribunal
17. Compensation Fund, including Reserve Fund
18. Competition Commission
19. Competition Tribunal
20. Construction Education and Training Authority
21. Construction Industry Development Board
22. Council for Geoscience
23. Council for Medical Schemes
24. Council for the Built Environment
25. Council on Higher Education
26. Cross-Border Road Transport Agency
27. Culture, Arts, Tourism, Hospitality and Sports Education and Training Authority
28. Die Afrikaanse Taal Museum
29. Ditsong: Museums of South Africa
30. EDI Holdings (Pty) Ltd
31. Education Labour Relations Council
32. Education, Training and Development Practices SETA
33. Energy and Water Sector Education and Training Authority



34. Estate Agency Affairs Board
35. Fibre Processing Manufacturing Sector Education and Training Authority
36. Film and Publication Board
37. Financial and Accounting Services SETA
38. Financial Intelligence Centre
39. Financial Services Board
40. Food and Beverages Manufacturing Industry
41. Freedom Park Trust
42. Health and Welfare Sector Education and Training Authority
43. Housing Development Agency
44. Human Sciences Research Council
45. Independent Regulatory Board for Auditors
46. Ingonyama Trust Board
47. Inkomati Catchment Management Agency
48. Insurance Sector Education and Training Authority
49. International Trade Administration Commission
50. iSimangaliso Wetland Park
51. Iziko Museums of Cape Town
52. KwaZulu-Natal Museum
53. Legal Aid South Africa

54. Local Government Education and Training Authority
55. Luthuli Museum
56. Manufacturing, Engineering and Related Services Education and Training Authority
57. Marine Living Resources Fund
58. Market Theatre Foundation
59. Media Development Diversity Agency
60. Media, Information and Communication Technologies Sector Education and Training Authority
61. Medical Research Council of South Africa
62. Mine Health and Safety Council
63. Mining Qualifications Authority
64. Municipal Infrastructure Investment Unit
65. National Agricultural Marketing Council
66. National Arts Council of South Africa
67. National Consumer Commission
68. National Consumer Tribunal
69. National Credit Regulator
70. National Development Agency
71. National Economic Development and Labour Council
72. National Electronic Media Institute of South Africa
73. National Empowerment Fund

74. National Energy Regulator of South Africa
75. National Film and Video Foundation of South Africa
76. National Gambling Board of South Africa
77. National Health Laboratory Service
78. National Heritage Council of South Africa
79. National Home Builders Registration Council
80. National Housing Finance Corporation Limited
81. National Library of South Africa
82. National Lotteries Board
83. National Metrology Institute of South Africa
84. National Museum, Bloemfontein
85. National Nuclear Regulator
86. National Regulator for Compulsory Specifications
87. National Research Foundation
88. National Student Financial Aid Scheme
89. National Urban Reconstruction and Housing Agency
90. National Youth Development Agency
91. Nelson Mandela National Museum
92. Office of the Ombud for Financial Service Providers
93. Office of the Pension Funds Adjudicator

94. Performing Arts Council of the Free State
95. Perishable Products Export Control Board
96. Ports Regulator of South Africa
97. Private Security Industry Regulatory Authority
98. Productivity SA
99. Public Service Sector Education and Training Authority
100. Quality Council for Trades and Occupations
101. Railway Safety Regulator
102. Road Accident Fund
103. Road Traffic Infringement Agency
104. Road Traffic Management Corporation
105. Robben Island Museum
106. Rural Housing Loan Fund
107. Safety and Security Education and Training Authority
108. Servcon Housing Solutions (Pty) Ltd
109. Services Sector Education and Training Authority
110. Small Enterprise Development Agency
111. Social Housing Foundation
112. South African Civil Aviation Authority
113. South African Council for Educators

114. South African Diamond and Precious Metals Regulator
115. South African Heritage Resources Agency
116. South African Library for the Blind
117. South African Local Government Association
118. South African Maritime Safety Authority
119. South African National Accreditation System
120. South African National Biodiversity Institute
121. South African National Energy Development Institute
122. South African National Parks
123. South African National Space Agency
124. South African Qualifications Authority
125. South African Revenue Service
126. South African Social Security Agency
127. South African Tourism
128. South African Weather Service
129. Special Investigation Unit
130. State Information Technology Agency
131. Technology Innovation Agency
132. The Co-operatives Banks Development Agency
133. The National English Literary Museum

134. The National Radioactive Waste Disposal Institute
135. The National Skills Fund
136. The Playhouse Company
137. The Social Housing Regulatory Authority
138. The South African Institute for Drug-free Sport
139. The South African National Roads Agency Limited
140. The South African State Theatre
141. Thubelisha Homes
142. Transport Education and Training Authority
143. uMalusi Council for Quality Assurance in General and Further Education and Training
144. uMsunduzi Museum
145. Unemployment Insurance Fund
146. Universal Service and Access Agency of South Africa
147. Universal Service and Access Fund
148. Urban Transport Fund
149. War Museum of the Boer Republics
150. Water Research Commission
151. Wholesale and Retail Sector Education and Training Authority
152. William Humphreys Art Gallery
153. Windybrow Theatre

All subsidiaries of the above national public entities

## **Part B: National Government Business Enterprises**

1. Amatola Water Board
2. Bloem Water
3. Botshelo Water
4. Bushbuckridge Water Board
5. Council for Mineral Technology
6. Council for Scientific and Industrial Research
7. Export Credit Insurance Corporation of South Africa Limited
8. Inala Farms (Pty) Ltd
9. Khula Enterprises Finance Limited
10. Lepelle Northern Water
11. Magalies Water
12. Mhlathuze Water
13. Namaqua Water Board
14. Ncera Farms (Pty) Ltd
15. Onderstepoort Biological Products Limited
16. Overberg Water
17. Passenger Rail Agency of South Africa
18. Pelladrift Water Board

19. Public Investment Corporation Limited

20. Rand Water

21. SA Bureau of Standards

22. Sasria Limited

23. Sedibeng Water

24. Sentech Limited

25. State Diamond Trader

26. Umgeni Water

All subsidiaries of the above national government business enterprises

## **Part C: Provincial Public Entities**

### **EASTERN CAPE**

1. Eastern Cape Appropriate Technology Unit

2. Eastern Cape Arts Council

3. Eastern Cape Gambling and Betting Board

4. Eastern Cape Liquor Board

5. Eastern Cape Parks and Tourism Agency

6. Eastern Cape Rural Development Agency

7. Eastern Cape Socio-Economic Consultative Council

8. Eastern Cape Youth Commission



## **FREE STATE**

1. Free State Gambling and Liquor Authority
2. Free State Investment Promotion Agency
3. Free State Tourism Authority
4. Phakisa Major Sport and Development Corporation

## **GAUTENG**

1. Blue IQ Investment Holdings (Pty) Ltd
2. Gauteng Economic Development Agency
3. Gauteng Enterprise Propeller
4. Gauteng Gambling Board
5. Gauteng Partnership Fund
6. Gauteng Tourism Authority
7. Gautrain Management Agency
8. XHASA ATC Agency

## **KWA-ZULU NATAL**

1. Agri-Business Development Agency
2. Amafa AkwaZulu Natali
3. Dube TradePort Corporation
4. Ezemvelo KwaZulu-Natal Wildlife

5. KwaZulu-Natal Gambling Board
6. KwaZulu-Natal Gaming and Betting Board
7. KwaZulu-Natal House of Traditional Leaders
8. KwaZulu-Natal Liquor Authority
9. KwaZulu-Natal Provincial Planning and Development Commission
10. KwaZulu-Natal Tourism Authority
11. Natal Sharks Board
12. Royal Household Trust
13. Trade and Investment KwaZulu-Natal
14. uMsekeli Municipal Support Services

## **LIMPOPO**

1. Limpopo Appeal Tribunals
2. Limpopo Development Tribunals
3. Limpopo Economic Development Agency
4. Limpopo Gambling Board
5. Limpopo Housing Board
6. Limpopo Liquor Board
7. Limpopo Local Business Centres
8. Limpopo Panel of Mediators
9. Limpopo Planning Commission

10. Limpopo Roads Agency

11. Limpopo Tourism and Parks Board

## **MPUMALANGA**

1. Mpumalanga Gambling Board

2. Mpumalanga Regional Training Trust

3. Mpumalanga Tourism and Parks Board

## **NORTHERN CAPE**

1. Kalahari Kid Corporation

2. Northern Cape Economic Development, Trade and Investment Promotion Agency

3. Northern Cape Gambling Board

4. Northern Cape Liquor Board

5. Northern Cape Tourism Authority

## **NORTH WEST**

1. Invest North West

2. Mmabana Arts, Culture and Sport Foundation

3. North West Eastern Region Entrepreneurial Support Centre

4. North West Gambling Board

5. North West Housing Corporation

6. North West Parks and Tourism Board

7. North West Provincial Aids Council

8. North West Provincial Arts and Culture Council
9. North West Provincial Heritage Resources Authority
10. North West Youth Development Trust

## **WESTERN CAPE**

1. Destination Marketing Organisation
2. Western Cape Commissioner for the Environment
3. Western Cape Cultural Commission
4. Western Cape Gambling and Racing Board
5. Western Cape Investments and Trade Promotion Agency
6. Western Cape Language Committee
7. Western Cape Liquor Authority
8. Western Cape Nature Conservation Board
9. Western Cape Provincial Development Council

All subsidiaries of any of the above provincial public entities

## **Part D: Provincial Government Business Enterprises**

### **EASTERN CAPE**

1. East London Industrial Development Zone Corporation
2. Eastern Cape Development Corporation
3. Mayibuye Transport Corporation

### **FREE STATE**

1. Free State Development Corporation

### **KWA-ZULU NATAL**

1. Cowslip Investments (Pty) Ltd
2. Ithala Development Finance Corporation
3. Mjindi Farming (Pty) Ltd
4. Mpendle-Ntambanana Agricultural Company (Pty) Ltd
5. Richards Bay Industrial Development Zone

### **LIMPOPO**

1. Gateway Airport Authority Limited
2. Limpopo Development Corporation

### **MPUMALANGA**

1. Mpumalanga Agricultural Development Corporation
2. Mpumalanga Economic Growth Agency
3. Mpumalanga Housing Finance Company

## **NORTH WEST**

1. Mafikeng Industrial Development Zone (Pty) Ltd
2. North West Development Corporation
3. Northwest Transport Investments (Pty) Ltd

## **WESTERN CAPE**

1. Casidra (Pty) Ltd

All subsidiaries of any of the above provincial government enterprises

# Annexure 2- Inventory Policy

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## **PREAMBLE**

Section 111 of the [Municipal Finance Management Act 56 of 2003](#) requires each Municipality and Municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.

Section 39 of the eThekweni Municipality Supply Chain Management Policy makes provision for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance and contract administration. The registered inventory management function is decentralised within eThekweni Municipality but operates under the jurisdiction of the Supply Chain Management Unit. The potential for maladministration, misuse and theft of inventory is recognised. Recent audit findings identified loopholes in the consistency of inventory control across the council. This policy will seek to mitigate and inventory (stock) management related risks posed to eThekweni Municipality.

## **PURPOSE**

- (1) To specify guidelines that eThekweni Municipality staff must follow in the management and control of inventory (stock) items in accordance with all legislation and policies.
- (2) To ensure that inventory (stock) items are procured as prescribed within the SCM Policy.
- (3) To regulate the control and management of inventory (stock) items so that supply risk to eThekweni Municipality is minimized.



## PROBLEM STATEMENT

- (1) There are no guidelines for eThekwini Municipal staff to follow for the management and control of inventory (stock) items which reinforce inventory management best practice. This resulted in a rise in stock outs; back orders and poor lead time management which have impacted on service delivery.
- (2) The legal requirement for the Inventory Management Policy derives from

### Legislation

- (a) Section 217 (1) of The South African Constitution (1996) provides that when an organ of state in the national, provincial or local sphere of government contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective;

### Regulation

- (b) Section 39 of the Supply Chain Management Policy for eThekwini Municipality (2016) provides for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.
- (3) The Barloworld Logistics study conducted in 2010 found that the absence of an inventory management policy for eThekwini Municipality was the root cause of all inventory related malpractices.
  - (4) In the formulation of this policy there was consultation with eThekwini Municipality's departments (e.g. Water and Sanitation, eThekwini Electricity and City Fleet), the Kwa Zulu- Natal Department of Health and National Treasury – see Annexure 1.
  - (5) This policy must be read in conjunction with:
    - The *Supply Chain Management Policy for eThekwini Municipality* for the procurement of all inventory (stock) items;
    - The *Information Management Unit's general Archiving and Retention Policy*.

## **ACRONYMS AND DEFINITIONS (see Annexure 4)**

### **POLICY**

#### **Institutional responsibility**

(1) The accounting officer of eThekweni Municipality shall :

- a) take full responsibility and ensure that there are proper control systems exist for inventory (stock) items.
- b) ensure that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse.
- c) ensure that inventory (stock) items levels are at optimum and economic levels; and
- d) ensure that processes (whether manual or electronic) and procedures are in place for effective, efficient, economical and transparent use of inventory.

#### **Management of Inventory**

(1) The Supply Chain Management Unit is responsible for the management of stock items, ensuring proper administration of all stores.

(2) Inventory must be reviewed and routine reconciliations of stock counts and records performed.

#### **Recording of Inventory**

(1) All inventory items, including a description of each item, must be recorded in an inventory register, attached hereto as an Annexure A.

(2) In order to maintain updated and complete inventory records, all movement of inventory items must be recorded in the inventory register without delay.

(3) The inventory register must be printed monthly and the hard copy filed in chronological order to maintain a proper audit trail.

(4) Re-order and optimum inventory levels must be documented on the inventory record once they have been determined.

(5) Inventory may be purchased once the predetermined stock level is reached or when a request is received for an item, which is out of stock.

### **Receipt of Inventory**

(1) The quantity and quality of the goods received from suppliers must be according to specifications.

(2) The invoice must match the supplier name and order number, and the VAT number, where applicable, must be clearly marked on the supplier delivery note and invoice.

(3) The stores controller must ensure that-

a) all delivery notes are signed;

b) all incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and

c) the supplier signs all amendments.

(4) All inventory must be received by the completion of a goods received note and processed on the financial management system.

### **Issuing of Inventory**

(1) Only the stores controller is authorised to issue goods from the storeroom;

(2) Stock items may only be issued in terms of the authorised departmental stock requisition form, attached hereto as Annexure B.

(3) The departmental requisition form must be signed by the responsible manager or delegated official.

- (4) The requisition form must be ruled off immediately below the last item to prevent items being added after the requisition is authorised.
- (5) The stores controller must verify that the inventory items ordered match the requisition form.
- (6) The identified official authorised to submit the departmental requisition form and receive the goods must acknowledge receipt of the stock items in writing; and
- (7) Stock items must be issued and used for official purposes only.

### **Storage of Inventory**

- (1) Stock items must be stored in a secured, exclusive use area, under lock and key, with limited authorised access only, and the responsibility for the custody of the storeroom keys must be allocated by the responsible manager or delegated authority to the stores controller, in writing, who is accountable for its use.
- (2) All stock items must be stored separately with proper segregation of items.
- (3) Stock items must be clearly labeled for easy identification, with stock bin cards identifying each individual item and aiding in the physical verification of the items, provided that the details include the following:
  - a) catalogue number;
  - b) item description;
  - c) unit of measure;
  - d) unit of issue;
  - e) quantity received;
  - f) quantity issued;
  - g) re-order level or quantity; and catalogue number;
  - h) closing stock.
- (4) Due diligence and care must be exercised to prevent damage of, or deterioration of stock items.

- (5) Due regard must be given to any safety standards, which may apply to the storage of certain stock items.
- (6) Steps must be taken to ensure the safe custody of stock items, including precautions against fire, loss or theft.
- (7) Whenever a change in the stores Controller occurs, an inventory count must be conducted.

### **Inventory Count**

- (1) Stock item must be counted quarterly, to be in line with the interim financial statements' requirements, in addition to the financial year end stock count.
- (2) The inventory manager must set a date in advance and notify the responsible officials, together with the stock count instructions.
- (3) No stock may be received or issued during the stock count process.
- (4) All stock requisitions for the financial year end must be issued well in advance to facilitate the year end stock count.
- (5) The stock count must be completed and the relevant reports submitted by the 30<sup>th</sup> June of each financial year, whereafter stock will only be issued from the first working day of the new financial year.
- (6) A comparison must be made between the stock register, bin cards and the physical stock items, and any discrepancies between the physical stock and the stock records must be investigated and reported to the Chief Financial Officer or delegated authority in writing, for the write-off of any stock losses, or the write-up of surpluses, as may be applicable, in terms of the Municipal Finance Management Act (Act 56 of 2003).
- (7) A certified stock count report must be submitted to the Senior Manager: Corporate Procurement (SCM) detailing the following:
  - a) a description, quantity and value of the stock;
  - b) no movement stock;
  - c) slow moving stock; and
  - d) disposal of stock

## **Obsolete Inventory**

(1) The Chief Financial Officer or delegated authority may approve the write-off of stock if he or she is satisfied that-

- a) the stock has expired and is redundant;
- b) the stock is of a specialised nature and has become out-dated due to the introduction of better and more effective products;
- c) the stock cannot be used for the purpose for which it was originally intended; or
- d) the stock has been damaged and is rendered useless.

(2) All items disposed of must be updated in the stock records for the purposes of proper management and control.

## **General**

(1) The Inventory Manager and Stores Controller must be appointed in writing.

(2) A stores catalogue must be maintained and updated as required.

(3) Where a contract exists, purchases must be made against the contract, including government transversal contracts.

(4) Where no contract exists, and it's a non-stock item, a purchase requisition must be forwarded to the Purchasing Section of the Supply Chain Management Unit for the invitation of quotations and purchasing of items.

(5) Stock will be retained for frequently used items and critical items that have long lead times.

## **PROCEDURES AND PROCESSES**

(1) The latest adopted version of this policy document must be available on the iThekUNET.

(2) The procedures are described in Annexure 2.

## **POLICY EVALUATION AND REVIEW**

(1) The Inventory Policy will be reviewed annually

(2) To monitor inventory (stock) management operations against adherence to this policy, pragmatic approaches for each policy statement are described in Annexure 3.

## **EFFECTIVE DATE**

(1) This policy comes into effect on date of signature hereof by the Accounting Officer.

## **ANNEXURE 1**

Departments and parastatals and NGOs, CBOs is often essential when writing policy and a list of people/groupings consulted should be included.

Date	Entity/Department	Contact Person	Phone number
	Barloworld Equipment		
	eThekwini Water and Sanitation	B. Shabangu	031-
	eThekwini Electricity	T. Mpetsane	
	eThekwini City Fleet	D. Govender	
	KZN Provincial Health Department		
	National Treasury		

## **ANNEXURE 2**

### **PROCEDURES**

#### **Receiving of Stock**

- (1) Management ensures that a suitable receiving area is provided to:
  - a) provide delivery access to suppliers;
  - b) allow for efficient offloading;
  - c) protect goods from the elements;
  - d) ensures security of the goods awaiting inspection or binning; and
  - e) management also ensures that competent trained and experienced personnel are appointed to operate the Receiving function.

#### **Receiving Goods**

- (1) Verification of delivery address and order status:
- (2) The receiver refers to the supplier's delivery documentation to verify that delivery is to the correct address.
- (3) The receiver checks the purchase order details to confirm that the delivery is correct

#### **Consignments delivered to stores**

- (1)The receiver arranges for the offloading of the goods and verifies that the description and Quantities are in accordance with provisions of the order, and that there is no damage to the consignment.
- (2)The receiver signs or endorses the delivery documentation and records details in a register after all relevant documentation have been scrutinized and materials have been physically inspected



(3)The receiver processes the receipt transaction on same day to record deliveries on the JDE System either into unrestricted, quality inspection.

All discrepancies in quantities, quality and delivery dates are treated in accordance with the provisions of this procedure.

### **Receiving consignments delivered directly to users or collected by users**

(1) Users should forward the relevant receiving documentation with signature, unique order Number and any endorsement to the receiving function within one working day of any delivery directly to the stores receiving function.

(2) All materials must as far as possible be delivered to stores function for Quality Inspection and to verify documentation and processing of it on the system.

(3) All discrepancies in quantities, quality and delivery dates are treated in accordance with the provisions of this procedure

(4) The transaction should be processed to record deliveries on the system when the details of the consignment arrive at receiving; and all receiving documentation should be forwarded to the accounts payables.

### **Receiving consignments collected from suppliers by Stores**

(1) The person responsible for collecting the goods identifies himself to the supplier and verifies the details of the items against the order note.

(2) Any discrepancies that cannot be resolved are noted on the delivery documentation before being signed by the supplier and the person responsible for collecting the goods.

(3) When the consignment arrives at receiving, the receiver verifies the description and quantities against the delivery documentation.

(4) The transaction is processed to record deliveries on the system and all receiving documentation forwarded to the stores function for reconciliation purposes.

(5) All discrepancies in quantities and quality are treated in accordance with the provisions of this procedure.

### **Receiving stock returned by Users (MRS- Material Returned to Stores)**

- (1) A Material Return to Stock (MRS) must accompany all materials returned to stores.
- (2) The receiver ensures that the outward quality of the items received is acceptable.
- (3) The receiver must certify the serviceability of the item on the MRS sheet prior to acceptance into the store and the passing of a credit.
- (4) To record returns on the system, a reversal transaction is processed, the documentation must be processed on JDE System

### **Receiving Stock Transfers**

- (1) The receiver verifies that the description, quantity and quality are in accordance with the Transfer documentation.
- (2) Transfer documentation is being used for Inter Stores Transfers duly arranged and approved by authorized delegated authority.
- (3) The original must be presented to the Issuing Store.
- (4) A copy of the original document that references the Issuing Transaction will accompany material to receiving Store and record their receiving OT System document number on the copy document.

### **Receiving of Non-Stock and Assets in Stores**

- (1) The procedures for the receiving of non-stock items is the same as for stock items.
- (3) The receiver ensures that the user signs the goods on collection and that the signed receipts is processed for payment.
- (4) For assets, the business units' assets controller must also be informed to ensure that the assets register is updated.

### **Receiving early deliveries**

(1) The receiver must refer all early deliveries to the materials planner (or the users for non-Items stock) for decision whether the consignment should be received or not, depending on the decision, such consignments are received or returned in accordance with provisions of this procedure.

### **Receiving late deliveries**

(1) For late deliveries, the receiver must verify that the order still exists on the system and if order still exists the consignment should be received in accordance with the provisions of the receiving procedure.

(2) If the order does not exist on the system, the matter must be referred to the Buying department for a decision whether the consignment should be received or not, depending on the decision, such consignments are received or returned in accordance with the Provisions of this procedure (To enable receipt of the order, the buyer must create a new order On the system).

### **Receiving Partial Deliveries**

(1) Partial deliveries are received in accordance with the provisions of this procedure however,

(2) Receiver must ensure that the delivery correct quantity received is captured

### **Receiving Material when System is Unavailable**

(1) The consignment is then received using the prescribed documentation in accordance with the Provisions of this procedure, and

(2) The relevant receiving transactions should be processed immediately when the system becomes available.

(3) If no official purchase order number is referenced on documentation then the materials must be Returned to the Supplier via the delivery note.

### **Returning of incorrect, damaged or defective materials to Suppliers**

- (1) Where incorrect, damaged or defective items have been delivered, the receiving documentation is endorsed to reflect the actual quantities received, the quantity returned and the reason why it is being returned (Quality Inspector signature Imperative if applicable to Quality Inspection).
- (2) The Transaction should be processed in the system reflecting the quantity accepted and the quantity returned.
- (3) All receiving documentation should be forwarded to the Accounts Payable for reconciliation purposes and the Buying Department is capturing in the system.
- (4) A Goods Returned / Delivery Note should be completed to serve as proof that the goods have been returned to the supplier.

### **Receiving of consignment stock (Fuel and Oil)**

- (1) When fuel is delivered must first take dip readings for all tanks and must ensure that the fuel Tanker reading is set to Zero.
- (2) The fuel attendant or designated person must ensure that the fuel is offloaded into the correct tanks.
- (3) Delivery note must be signed by the designated person or fuel attendant and forward it to the Storekeeper for processing

### **Receiving of Over Supplies / Deliveries**

- (1) Procurement should ensure that limits are determined where applicable and entered onto the System for the acceptance of over-deliveries.
- (2) Over-deliveries within present limits should be received in accordance with the provisions of this procedure.
- (3) The actual quantity received should be entered into the system when the transaction is processed and all receiving documentation should be forwarded to Accounts Payable
- (4) Where the over-delivery is outside the limits determined by procurement the receiver should refer the matter to the Stores Controller or use for a decision whether the over-delivered quantity should be received or not.

(5) If the decision is to accept the over-delivered quantity, the consignment should be received in accordance with the provisions of this procedure. (To enable receipt, the buyer should modify the over-delivery limit for the specific order.)

(6) If the decision is to return the over-delivered quantity, the delivery documentation should be endorsed to reflect the quantity of goods returned.

(7) A Goods Returned / Delivery Note should be completed to serve as proof that the goods have been returned to the supplier.

(8) The goods should then be returned to the supplier.

### **Receiving of Short Deliveries**

(1) A short delivery is when the quantity on the delivery documentation disagrees with the actual quantity tendered for delivery.

(2) The receiver receives all short deliveries in accordance with the provisions of this procedure.

(3) The received documentation should be endorsed to reflect the actual quantities received and processed for payment.

### **Quality Inspection**

(1) The receiver should inspect the outward condition of all items received. Inventory items.

(2) Not requiring quality inspection and items that have been passed by an inspection authority prior to delivery should be moved to the awaiting binning area.

(3) Where specialist inspections are required, the receiver must inform the users or person responsible for the inspection and segregate the goods awaiting inspection.

(4) An approved list of Delegated Signing authorities and Specimen signatures of all Quality Inspectors must be reviewed and updated yearly.

## **Preparation for Binning**

(1) The receiver arranges for all received items to be moved to the awaiting binning area together with the documentation indicating the bin locations.

(2) Non-Stock items should be moved to a separate area and the relevant use requested to collect, for items not binned or collected within 1 working day after quality inspection has been done the relevant binning personnel or users should be urged to remove the material.

## **Issuing of Stock Required by Users**

### **General Requirements**

(1) Management shall ensure that a suitable issuing area is provided at every stores location to:

- a) Provide for efficient issuing of goods to end users
- b) Ensure security of the goods;
- c) Control physical access
- d) Control documentation
- e) Accommodate goods marshalling
- f) Authorize JDE access
- g) Control system on Contingency goods issues process

(2) Management shall ensure that competent trained and experienced personnel are appointed to operate the issuing function.

### **Picking Slip**

(1) A picking slip shall be generated by the system at least once a day and printed on a dedicated printer in the issue control area.

(2) The person responsible for the issuing section sorts the slip/ requisition in order of priority.

(3) The information on the slip/ requisition is evaluated to ensure completeness.

(5) For incomplete or partial slip/requisition, the issuing department will reject the document slip/ requisition

### **Picking of Stock**

(1) The issuing Storekeeper refers to the pick slip/requisition to locate the item to be picked.

(2) During picking, attention shall be given to the bin/row location, the item number, the short description and the unit of measure code to ensure that the correct quantity of the correct item is picked.

(3) The actual quantity picked is recorded on the pick slip in words and filled by the issuing storekeeper.

(4) Where inadequate stock is available from the bin due to inaccurate stock records or damaged stock, the picker shall inform the stores controller function of the stock inaccuracy and they shall prompt the Material Planner/ MRP controller to take the appropriate replenishment action appropriate action and investigation to be done by storekeeper via physical inventory process

(5) The goods shall be moved to the counter area where the issuing storekeeper shall check whether the correct quantity of the item has been picked.

### **Issuing of Stock to Users**

(1) The issuer shall request the user to identify him/her and shall refer to the "Recipient" or "text field" provided for information on the document to confirm that the goods are issued to the correct user or delegate.

(2) The use shall verify that the correct quantity of the correct item is issued and shall sign the "Received By" field, including his/her unique number.

(3) The pick slip/requisition shall be forwarded to the stores admin for reconciliation purposes.

(4) Documents shall be processed immediately after picking of material.

### **Transferring stock between Business Units**

(1) Receive transfer document from requesting store.

(2) Check authorization of document and that all relevant details have been entered, before issuing goods.

- (3) Write only that quantity which has been issued in the issue column.
- (4) Double check all goods issued to ensure that the quantity and item numbers are correct.
- (5) Obtain the name, signature and date from the recipient of the goods on the original and copies of the transfer document.
- (6) Ensure that the quantity issued agree with the quantities entered onto the computer by the requesting store
- (7) Amend quantities (if applicable) before updating the stock on the computer system.
- (8) The original document must be filed in the store for record purposes.

### **Document Control**

- (1) An acceptable filing system in accordance with our procedures shall be in place. (2) Filing shall be done according to document numbers.
- (3) Queries shall be handled by the Chief Storekeeper.
- (4) Unresolved queries shall be referred to the Chief Storekeeper.
- (5) Documents must be kept for 5 years.

### **Handling, Storage and Control of Stock**

#### **General Requirement**

#### **Provision of Resources**

- (1) Senior Manager should ensure that suitable qualified and experienced personnel are appointed to attend to the effective and efficient handling and binning of stock and to maintain stock accuracy, security and safety standards.

#### **Provision of Storage Facilities (Storekeeper)**

- (1) Storekeeper should ensure that suitable storage facilities and racking are provided to:



- a) protect items against the elements (weather);
- b) ensure security of the goods by exercising strict access control;
- c) preserve and protect sensitive items such as electronic components, rubber products, flammable liquids and chemicals, and
- d) to accommodate easy access and retrieval of goods and commodities.

### **Provision of Handling Equipment (Storekeeper)**

(1) Storekeeper should ensure that suitable handling equipment is available for the different types of materials stocked and that such equipment is properly maintained and only operated by property trained and, where required, accredited personnel.

### **Manual Material Handling**

- (1) Employees should be well trained in safe handling techniques of the materials.
- (2) Back, arm and should strains and wounds, fractures, or bruises to hands or feet are common injuries.
- (3) Common causes of these injuries include improper lifting posture, carrying too heavy load, incorrect gripping, slips and falls etc.

### **Mechanical Material Handling**

- (1) Lifting Machines and lifting tackle the OHSACT stipulates that every lifting machine with a lifting capacity of 75kg or more shall only be operated by an operator specifically trained for and who is in possession of a certificate of training issued by an approved organization for this purpose by the Chief Inspector.
- (2) Employees who are not in possession of this certificate should under no circumstances operate such machines.

### **Hand Signals**

- (1) Only officially appointed employees who have been trained and authorized in Basic rigging as described in the OHSACT are allowed to give hand signals.

### **Wire, Chain and Nylon slings and Fittings**

(1) Only trained and authorized employees should only perform slinging. Such slings should be cared for as described in the OHSACT.

### **Maintaining Safety Standards and Housekeeping-**

(1) Storekeeper should ensure that the safety Act and any specific SCN Standards are adhered to at all times and ensuring that any hazardous substances are delivered complete with their MSDS.

### **Binning Of Stock (Receiving Section)**

(1) The Binner collects items from the awaiting binning area and refers to the documentation indicating their bin/storage location and should update a bin/storage location field on JDE.

(2) The Binner should ensure that protective packaging has not been damaged, where provided for preservation.

(3) Where protective packaging has been damaged or has not been provided, the Binner must refer the problem to the person responsible for the receiving function for the necessary corrective action.

(4) Items should be binned and stored in such a way that they are easily accessible and countable, that those items that have been stored for the longest period will be issued first, and that safety standards are maintained.

(5) Specific care should be taken that items are not damaged during handling or binning.

(6) The person responsible for receiving must ensure that hazardous substances received are supplied with a MSDS sheet.

### **Preservation of Stock (Storekeeper)**

(1) The Storekeeper should arrange for a regular visual inspection of the stock to identify any deterioration, or situations that can lead to deterioration.

(2) Where problems are identified, corrective action should be taken on an urgent basis.

(3) The Storekeeper should dispose items that have been damaged to the extent that they cannot be utilized, or where the shelf life has expired.

### **Handling of Returnable Containers (Receiving Section)**

(1) Receiving should be responsible for the implementation of a business unit procedure for the handling of returnable containers.

### **Storage Conditions for Hazardous Materials**

(1) Certain stock materials need special storage conditions.

(2) These areas must be clearly demarcated and managed.

(3) Where required Compliance certificates must be clearly displayed on the doors of the storage areas.

### **Pictorial Markings**

(1) Various self-explanatory pictorial markings can be found on some holders containing material.

(2) It is of paramount importance that stores should adhere to the pictorial markings at all times, as this illustrates the safe handling / storage proposals from vendors e.g. store upright, fragile and keep dry etc.

### **Stock Verification and Stock Checking**

#### **Stock Verification**

#### **Inventory Manager**

(1) Plans at the beginning of each financial year, after the computer has been updated with the recalculated ABC classification, the scheduled physical counts for the year on the basis of at least:

- a) A Items = 4 times a year
- b) B Items = once a year
- c) C Items = once a year

## **Verifier**

- (1) Requests on a regular basis Inventory Count list in accordance with the planned scheduled of items to be counted.
- (2) Counts the stock physically and enters all unprocessed document details onto the Count Lists.
- (3) Captures the relevant details into the computer.
- (4) Recount all items where a discrepancy exists.
- (5) Re-capture the physical stock quantity should a miscount / reconciliation be revealed.
- (6) Produces via the computer a Discrepancy Report should a discrepancy persist.
- (7) Investigates the discrepancy to its fullest extent and should the error not be found, forwards the Discrepancy Report to the Materials Manager.
- (8) Reports at the end of each month the actual counts against the planned counts.

## **Manager**

- (1) Considers the extent of the discrepancy and if of an insignificant value, signs off discrepancy report and obtains approval of the Director Finance.
- (2) Investigate the discrepancy should such discrepancy have a significant value or should there be any doubt as to the reason for the discrepancy.
- (3) Report any alleged or suspected malpractice to the Director Finance who should report details to the Executive Director: Corporate Services for the consideration at the Multi-Disciplinary Team meeting.
- (4) Adjust stock record on the computer.
- (5) Ensures that all inventory count lists, discrepancy reports and stock adjustment reports are matched and filed.
- (6) Review on a monthly basis all physical counts in comparison with planned counts.

## **Perpetual Stock Check**

### **Storekeepers**

- (1) Requests on a monthly basis a computer report which reflects the transactions of a specific store during any day or number of days during the preceding or any particular month.
- (2) Reports at the end of each month to the Materials Manager/ Stores Controller the actual counts achieved against the planned counts.
- (3) Request a Verifier to verify and update the computer should a discrepancy be found to be significant.

### **Verification of Input Documents**

#### **Manager/ Stores Controller**

- (1) Request on a monthly basis a computer report which reflects the transactions of a specific store during any day or number of days during the preceding or any particular month.
- (2) Arrange for an authorized official to perform an independent check of the transactions against the original copies of the document numbers as recorded.
- (3) Ensure that the check has been performed by the official who must sign the report.
- (4) Counter signs the report and arranges for filing thereof.

### **Writing-Off Stock Items**

#### **General**

- (1) "DEAD" and 'EXCESS Stock is reviewed on a regular basis and any obsolete / redundant / Surplus stock is written off provided that adequate funds are available in the budget and no alternative use may be found for the goods in question.

#### **Manager / Respective Authorized Official**

- (1) Prepare annual write-off budget at the beginning of the financial year end.
- (2) Revise on a regular basis in conjunction with the users the "dead" and "excess" stock listings.

- (3) Prepare Write-Off Schedule (Proposed).
- (4) Obtain write-off authorization from the Director of Finance.
- (5) Update the computer with relevant information.
- (6) Match the Write-Off Schedule (Proposed) with the Schedule of Items Written Off.
- (7) Distributes copies of Schedule of Items Written Off to:
  - a) Stores Controller
  - b) Disposal Supervisor.

### **Stores Official**

- (1) Removes goods from racks as per Schedule of Items Written-Off and sends to Disposals Section against "X" Delivery Note or for reclamation against MRS if applicable.

### **Disposals Supervisor**

- (1) Receives and checks goods against Schedule of Items Written Off for disposal.

### **Responsibility**

- (1) The Materials Manager/ Stores Controller is responsible for ensuring that all goods written off are in fact removed from the racks and sent to the respective areas as indicated for disposal.

### **Introducing an Item into Stock**

#### **User**

- (1) Completes "Application For New Stock Items" form with all the required information.
- Obtains necessary authorities and forwards to the Stores Controller.

#### **Stores Personnel**

- (1) Allocates item/commodity number.

(2) Forwards to Purchasing Department.

(3) Advises the user upon receipt of the goods so that he/she can start drawing the stock.

### **Purchasing Department**

(1) Reviews requests.

(2) Ascertains whether items are stocked by other Service Units, where applicable.

(3) Forwards to appointed personnel for capturing onto computer.

(4) Checks Item Master Audit Trail Report against original input document for accuracy of data captured.

(4) Forwards a copy of the application for new stock item to user.

(5) Files completed documents in commodity maintenance file.

### **Establishing Inventory Categories**

#### **Supply Chain Manager**

(1) Determines the "ABC" classification for each item based on the computer generated ABC Report and uses discretion in respect of items which are to be phased out or new items with an expected high usage value.

(2) Determines strategic inventory based on input from appropriate Service Unit personnel.

(3) Reassesses "ABC" and "Strategic" items as follows:

- |                           |                            |
|---------------------------|----------------------------|
| a) ABC Groups             | : Annually                 |
| b) Strategic Item         | : At least every two years |
| c) Individual Commodities | : As the need arises       |

## **Tyres – Retread / Repair / Scrap / Claim**

### **General**

(1) Tyres in need of rethread/repair or scrapping are identified by the Tyre Technician and forwarded to the Storekeeper under cover of the Tyre-Off Report.

### **Tyre Technician**

- (1) Assesses the condition of each tyre and decides upon action to be taken.
- (2) Prepares and authorizes Tyre-Off Report in duplicate and records the action required.
- (3) Forward original copy of the Tyre-Off Report and the tyre to the Storekeeper.
- (4) Files second copy of the Tyre-Off Report in numerical sequence.

### **Storekeeper – Rethreads**

- (1) Reconciles tyres received to Tyre-Off Report and manually records details in Tyre-off Report register.
- (2) Complete Tyre Rethread/Repair Advice in triplicate (2 + 1 fast copy in pre-numbered book form).
- (3) Cross references Tyre-Off Report on the tyre rethread/repair advice.
- (4) Arrange for collection of tyres by supplier and hands supplier original copy of Tyre Rethread/Repair Advice after having obtained signature for upliftment.
- (5) Retains second copy of Tyre Rethread/Repair Advice with Tyre-Off Reports.
- (6) Receive rethread tyres from supplier and sign Delivery Note/Invoice.
- (7) Matches tyres received against Delivery Note/Invoice and second copy of Tyre Rethread/Repair Advice.
- (7) Inserts stock codes on Delivery Note/Invoice.
- (8) Prepare tyre schedule (in duplicate) and forward original to Purchasing for purchase creation and files second in date sequence.



(9) Perform receipt function and bins tyres in accordance with Policies and Procedures (Receiving Material).

(10) Cross references order number and Delivery Note/invoice details on Rethread Advice (second copy) and attaches same to fast copy in book.

(11) Attaches original copy of Tyre-Off Report to Delivery Note/Invoice and gold and forwards to Accounts Section for payment processing.

### **Storekeeper – Repair**

(1) Performs functions as per Storekeeper Rethreads (in respect of repairs).

(2) Completes Emergency Order/Non Stock Requisition/Service Order in favour of supplier to cover repair cost in accordance with Policies and procedures (Emergency Order System).

(3) Makes out costing transfer reflecting DBDSS account numbers in duplicate.

(4) Makes out Material Returned to Stores (MRS) in triplicate (2 + 1 Fast) reflecting tyre repair account number details.

(5) Captures MRS and bins tyres.

(6) Cross references order number and Delivery Note/Invoice details on Rethread/Repair Advice (second copy) and attaches same to Fast copy in book.

(7) Attaches costing transfer, original copy of MRS, Delivery Note/Invoice and original copy of Tyre-Off Report to gold copy of order and forwards to Account Section for payment processing.

(8) Attaches second copy of MRS and Costing Transfer to green copy of Emergency Order and files in order number sequence.

### **Storekeeper – Scrap Tyres**

(1) Receives scrap tyres from tyre technician together with original copy of Tyre-off Report which clearly states scrap.

(2) Completes Goods for Disposal (GFD) document

- (3) Arranges for upliftment of scrap tyres by supplier after ensuring that side walls are cut to prevent re-use.
- (4) Prepares Gate pass/Delivery note in duplicate/triplicate.
- (5) Obtains signature from supplier on GFD and Gate pass/Delivery Note to supplier.
- (6) Attaches original copy of Tyre –Off Report to first copy of GFD document and files the GFD in numerical sequence.
- (7) Receives gate pass/delivery note from Gate Controller and files with fast copy.

### **Storekeeper – Claims**

- (1) Completes tyre claim in triplicate
- (2) Forwards tyre under claim to supplier together with original copy of tyre claim form after obtaining signature for uplifted tyre.
- (3) Attaches original copy of Tyre-Off Report to second copy of tyre claim form and files in tyre claim form number sequence.
- (4) Records on second copy of Tyre Claim form details in respect of Claim Acceptance (Credit Note Number, Value, etc) / Rejection.
- (5) Attaches Credit Note to Claim Form and forwards to Account Payable.
- (6) Performs follow up function on outstanding claims weekly.
- (7) Takes appropriate action dependant on supplier notification received in terms of point 4 of the Storekeeper Claims functions above.

### **Senior Storekeeper**

- (1) Performs periodic random checks to ensure controls are in place in respect of scrap tyres.
- (2) Signs and dates GFD as proof of the above check.

## **Tyre Store: Issuing & Receiving Tyres Sent For Rethread or Repair**

### **General**

(1) Tyres in need of rethread/repair or scrapping are identified by the tyre technician

Scrapped tyres are recorded on the scrap tyre report and covered by a Goods for Disposals document.

(2) Tyres in need of repair/rethread are recorded on the tyre off slip and sent to the vendor by Storekeeper.

### **Tyre Technician**

(1) Send tyres in need of rethread or repair to the storekeeper together with the tyre off slip.

### **Storekeeper**

(1) Receives tyres with the tyre off slips and completes tyre rethread/repair advice in triplicate.

(2) Cross references tyre off slips to tyre rethread/repair advice.

(3) Arrange collection of tyres by vendor and hands original copy of advise after having obtained signature for uplifted goods.

(4) Receive rethread/repair tyres from vendor and sign delivery note.

(5) Prepare tyre schedule for purchase order creation.

a) Perform receipt function.

b) File documents

(6) Prepare scrap report and document for Disposals Section ensuring cross reference of tyre rethread/repair advise to goods for Disposal document.

### ANNEXURE 3

#### POLICY EVALUTATION AND REVIEW

Contact Person	Andre Petersen
Approval Authority	EThekwini Municipality Council OR Executive Committee
Approval Date	
Date of next review	

#### PRAGMATIC MONITORING AND EVALUATION APPROACHES

Policy Purpose referenced	Output	Indicator
Provide guidelines that employees of eThekwini Municipality must follow in the management and control of inventory (stock) items in accordance with all relevant legislations, regulations and other policies		Cycle Count Report
Procure inventory in line with the established procurement principles contained in the Supply Chain Management Policy of eThekwini Municipality.	Ensure stock items with an annual spend above R200K are procured through an annual supply contract. Stock items with an annual spend of less than R200K are procured through SSS. All procurement shall	Stock Management Report

be done via the relevant stock buyers allocated per department.

Eliminate any potential misuse of inventory and possible theft.

Reductions in losses or otherwise freeing up resources to be utilised in other areas thereby increasing the rate of service delivery of basic services and associated elimination of backlogs

Stock write off Report

The envisaged outcome is an efficient and effective control and inventory management tool for eThekweni Municipality.

Dead and Excess Stock Report