

KAROO HOOGLAND MUNICIPALITY



SUPPLY CHAIN MANAGEMENT POLICY 2025/2026

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (MFMA) (No. 56 of 2003), to adopt the following proposal of the Supply Chain Management Policy of

Karoo Hoogland Municipality.

APPROVED BY COUNCIL ON (DATE): ____13 June 2025____

COUNCIL RESOLUTION NR: _____

IMPLEMENTATION DATE: ____1 July 2025____

SIGNED BY THE SPEAKER : _____

SIGNED BY THE MUNICIPAL MANAGER : _____

Policy for adoption by municipalities in terms of section 111 of the Municipal Finance Management Act, No. 56 of 2003, and the Municipal Supply Chain Management Regulations

The Council of Karoo Hoogland Municipality in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), adopted the following as the Supply Chain Management Policy of Karoo Hoogland Municipality.

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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 –

“Accountability” means the personal responsibility of a person to his senior or higher authority for any act or omission in the execution of their assigned duties (Accountability cannot be delegated).

“Accounting officer” means the Accounting Officer referred to in section 60 of the Municipal Finance Management Act, No. 56 of 2003, in relation to a municipal entity, means the official referred to in section 93, and includes a person acting as the accounting officer.

“Accredited Agent” means a provider who is authorized to deliver certain goods / services and can be trading in a specific area, however, an accredited agent is not a sole provider.

“Accredited” means goods / services that are officially recognized, are generally accepted or having a guaranteed quality.

“Adjudication points” means the points referred to in terms of the Preferential Procurement Regulations, 2022.

“All applicable taxes” includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies; **“Asset”** means a tangible or intangible resource capable of ownership.

“B-BBEE” – means broad based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.

“B-BBEE Status Level of Contributor” – means the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad Based Black Economic Empowerment Act; **“Bidder”** means any person (natural and/or juristic submitting a competitive bid or quotation.

“Black People”; is a generic term for Africans, Coloureds and Indians (including Chinese) people who are citizens of South Africa that has the meaning assigned to it in section 1 of the Broad Based Black Economic Empowerment Act, No. 53 of 2003.

“Black Designated Groups” – has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad Based Black Economic Empowerment Act.

“Broad Based Black Economic Empowerment Act” – means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)

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

“competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this policy.

“Central Supplier Database (CSD)”- is a single database to serve as the source of all supplier information for all spheres of government. The purpose of centralising government's supplier database is to reduce duplication of effort and cost for both supplier and government while enabling electronic procurement processes.

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

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

“Designated Sector” – means a sector, sub-sector or industry or product designated in terms of regulation 8(1) (a);

“EME” - means and exempted of the micro enterprise in terms of a code of good practice on

black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Emergency procurement” emergency cases are cases where immediate action is necessary in order to avoid dangerous or risky situation (life threatening) or misery such as floods or fires.”

“e-Tender Publication Portal” - facilitates all government institutions to publish their tenders, corrigendum and award notices on a single platform. This portal gives FREE access to public sector tender opportunities in South Africa.

“exceptional / urgent cases” exceptional cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. However, a lack of proper planning should not be constituted as an urgent case subject to the approval of the Accounting Officer. The nature of the urgency and the details of the justifiable procurement must be recorded and the AO to approve.

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

“Fruitless and wasteful expenditure”- is defined in section 1 of the MFMA as follows: expenditure made in vain and would have been avoided had reasonable care been exercised.

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

“In the service of the state” means to be –

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) an executive member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

“Irregular expenditure”- means-

[a] expenditure incurred by a municipality or municipal entity in contravention of, that is not in accordance with, a requirement of the MFMA, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170;

[b] expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

[c] expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998[ACT No. 20 of 1998]; or

[d] expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy; and which has not been condoned in terms of such policy or by-law but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure.”

In this context “expenditure” refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act56 of 2003, and its regulations
- Municipal Systems Act, Act 32 of 2000, and its regulations
- Public Office-Bearers Act, Act20 of 1998, and its regulations; and
- The municipality’s Supply Chain Management policy, and any by-laws giving effect to that policy;”

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

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

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

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

“municipality” means Karoo Hoogland Municipality

“Municipal entity” has the meaning assigned to it by Section 1 of the Municipal Systems Act, 2000.

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

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

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

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

“Price” – includes all applicable taxes less all unconditional discounts, 3

“Proof of B-BBEE Status Level of Contributor” – means –

- (a) the B-BBEE status level certificate issued by an authorised body or person;
- (b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice, or
- (c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;

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

“Rural Area” - means

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

“Stipulated Minimum Threshold” – means the minimum threshold stipulated in terms of regulation 8 (1) (b);

“Specific Goals” means specific goals as contemplated in section 2(1)(d) of the Act 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 and Development Programme as published in

Government Gazette No. 16085 dated 23 November 1994;

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

“Sole Provider” means a provider of specialized or exclusive goods/services who has a sole distribution / patent /manufacturing rights and copy rights.

“senior manager” means an executive director appointed in terms of section of the Municipal Systems Act, 2000 or an acting executive director appointed by the Accounting Officer.

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

“The Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 10684 of 2017;

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

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

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

“Transversal contract” means a contract arranged for more than one department or municipality or for more than one level of government e.g. National and Provincial Government.

“Unauthorized expenditure” means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 [3] and includes-

[a] overspending of the total amount appropriated in the municipality’s approved budget;

[b] overspending of the total amount appropriated for a vote in the approved budget;

[c] expenditure from a vote unrelated to the department or functional area covered by the vote;

[d] expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

[e] spending of an allocation referred to in paragraph [b],[c] or [d] of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or

[f] a grant by the municipality otherwise than in accordance with the MFMA.

“Unforeseen and unavoidable expenditure” is discussed in section 29 of the MFMA and reads as follows:

[1] The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseen and unavoidable expenditure for which no provision was made in an approved budget.

[2] Any such expenditure-

[a] must be in accordance with any framework that may be prescribed;

[b] may not exceed a prescribed percentage of the approved annual budget;

[c] must be reported by the mayor to the municipal council at its next meeting; and

[d] must be appropriated in an adjustments budget.

[3] If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised, and section 32 applies.

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

CHAPTER 1 :IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy

- (1) All officials and other role players in the supply chain management system of the **Karoo Hoogland Municipality** must implement this Policy in a way 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 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;
 - Broad Based Black Economic Empowerment Act [B-BBEEA];
 - Corruption Act, 1998 – anti-corruption measures and practices;
 - Competition Law and Regulations;
 - Promotion of Administrative Justice Act, 2000;
 - National Archives of South Africa Act, 1996;
 - National Small Business Act;
 - Construction Industry Development Board Act,
 - Preferential Procurement Policy Framework Act.
 - (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 municipal entity must, in addition to complying with subparagraph (1), apply this Policy, to the extent determined by the parent municipality, in a way that and that is consistent with the supply chain management policy of the municipality.
- (3) This Policy applies when the Karoo Hoogland Municipality
 - (a) procures goods or services;
 - (b) disposes goods no longer needed;
 - (c) selects contractors to aid in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
 - (a) water from the Department of Water Affairs or a public entity, another

- municipality or a municipal entity; and
- (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

3. Amendment of the supply chain management policy

- (1) The accounting officer must –
 - (a) promptly prepare and submit a draft supply chain management policy complying with regulation 2 to the council of the municipality for adoption;
 - (b) at least annually review the implementation of this Policy, and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- (2) If the accounting officer submits proposed amendments to the Council that differs from the model policy issued by the National Treasury, the accounting officer must –
 - (a) ensure that such proposed amendments comply with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be considered.

4. Delegation of Supply Chain Management powers and duties

- (1) The Council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
 - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) the supply chain management policy of the municipality
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (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).
- (3) The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is

not exclusively composed of either officials of the municipality or officials of other municipal/state institutions to assist in completing the formation of the number of committees members.

- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 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) of this paragraph and paragraph 4 of this Policy.
- (2) The power to make a final award –
- (a) above R10 million (VAT included) may not be sub delegated by the accounting officer;
 - (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the CFO or a senior manager is a member that chair.
 - (c) not exceeding R2 million (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee which the CFO or a senior manager is a member that chair and comprising of Chief Financial Officer, Senior Manager, Section Heads directly accountable to the Senior Manager
- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) must be submitted –
- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or

- (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member than chairs; or
- (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a section head directly accountable to a senior manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee chairperson of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

6. Oversight role of council

- (1) The Council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –
 - (a) (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy to the council of the municipality; and
 - (ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council, who must then submit the report to the accounting officer of the municipality for submission 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) A supply chain management unit is hereby established to implement this Policy.
- (2) The supply chain management unit operates under the direct supervision of the Chief Financial Officer or official to whom duty has been delegated in terms of section 82 of the Act.

8. Training of Supply Chain Management Officials

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

CHAPTER 2 : SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management system

This Policy provides systems for –

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management;
- (vi) performance management,
- (vii) asset management; and
- (viii) contract Management

Part 1: Demand management

10. System of demand management

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must –
 - (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) consider any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - (c) provide for the compilation of the required specifications to ensure that its needs are met.
 - (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
 - (e) The municipality must compile a Procurement Plan containing all planned procurement for the financial year in respect of the procurement of goods, services and infrastructure projects which exceed R300 000 [all applicable taxes included] per case as described in the Supply Chain Management Guide for Accounting Officers and the guidelines on the implementation of demand management reflected in “Annexure A”.
 - (f) The procurement plan must be finalized on the 1st of July every year. The relevant information should preferably be furnished in the format contained in the Procurement Plan Template enclosed as **Annexure “B”**. Also refer to National Treasury MFMA Circular 62.

10.1 FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT (PG 1 – PG 4)

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation.

The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP.

10.1.1 Minimum Requirement for Infrastructure Procurement

- a) Infrastructure procurement must be undertaken in accordance with all applicable Infrastructure Procurement related legislation and this Framework.
- b) Infrastructure procurement must be implemented in accordance with the institutional Supply Chain Management System, which promotes differentiated procurement for infrastructure.
- c) Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in paragraph 11.
- d) The Accounting Officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets.
- e) The Accounting Officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.
- f) Procurement gates provided in paragraph 11 of this policy must be used, as appropriate, to:
 - i. Authorise commencement of activities that lead to the next control gate;
 - ii. Confirm conformity with requirements; and/or
 - iii. Provide information
- g) The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.
- h) The Accounting Officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.
- i) The Accounting Officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to proceeding with the procurement strategy.
- j) The Accounting Officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements:
 - i. Procurement gate;
 - ii. Delegated person/s or body;
 - iii. Date on which the approval request was received;
 - iv. Date on which the approval was actioned; and
 - v. Signature of the delegated person or body.

- k) All assets must be recorded in the municipal asset register as required by the GRAP standards.

10B. Infrastructure Procurement Gates (PG1)

a) Initiate a procurement process;

(See Annexure C: In order for the initiation to be completed, and the decision to proceed with procurement is affected; the Project Stage Deliverables for Stages 1 and 2 must be completed. In the case of Mega Projects (Projects in excess of R50 million) the Gateway Review requirements must be adhered to as stipulated within Annexure C)

10.1.2 Minimum Requirement for PG 1:

- i. Establish and clarify the procurement need, aligned to the municipality's development and transformation priorities specified in the IDP.
 - ii. Determine a suitable title for the procurement, to be applied as the project description.
 - iii. Prepare the broad scope of work for the procurement.
 - iv. Perform market analysis.
 - v. Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.
 - vi. Confirm the budget.
 - vii. Compliance with section 33 of the MFMA with respect to community and stakeholder consultation.
- b) PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.

10.1.3 Procurement Gate 2 for PG 2:

a) Approve procurement strategy to be adopted.

(See Annexure C: In order for the procurement strategy to be adopted, and the decision to proceed with an approved procurement strategy; the Project Stage Deliverables for Stages 3 and 4 must be completed)

10.1.3 a Minimum Requirement for PG 2:

- a) Develop a **procurement strategy** aligned to the institutional procurement strategy:
 - i. Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.
 - ii. Identify service required for works.
 - iii. Decide on contracting strategy.
 - iv. Decide on pricing strategy.
 - v. Decide on form of contract.
 - vi. Establish opportunities for promoting preferential procurement

in compliance with legislative provisions and the Construction Sector Code.

- b) PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted.

10.1.4 Procurement Gate 3 (PG 3)

- a) Approve procurement documents.

10B 3.1 Minimum requirements for PG 3:

- b) Prepare procurement documents that are compatible with:
 - i. Approved procurement strategies.
 - ii. Project management design documentation.
- c) PG 3 is complete when the Bid Specification Committee approves the procurement document.

10.1.5 Procurement Gate 4 (PG 4)

- a) Confirm that cash flow processes are in place to meet projected contractual obligations.

10B4.1 Minimum requirement for PG 4

- 10.5.1.1 Confirm that cash flow processes are in place to meet contractual obligations.
 - 10.5.1.2 Establish control measures for settlement of payments within the time period specified in the contract.
- b) PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place.

Part 2: Acquisition management

11. System of acquisition management

- (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
- (a) that goods and services are procured by the municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are as per National and Provincial prescripts.
 - (e) that the preference point system used in accordance with the Revised Preferential Procurement Policy Regulations of 2022.
 - (f) that any Treasury guidelines on acquisition management are properly considered.
 - (g) Verification of bids in excess of **R50 million**

Prior to advertisement:

Verification by the CFO

The senior manager responsible for a vote must submit to the CFO:

- proof that budgetary provision exists for the procurement of the goods/services and / or infrastructure projects;
 - -any ancillary budgetary implications related to the bid;
 - - any multi -year budgetary implications;

Prior to the award of a bid.

Contracts above the value of R50 million (all applicable taxes included) may only be awarded to the preferred bidder after the CFO has verified in writing that budgetary provision exists for the acquisition of the goods, infrastructure projects and /or services and that it is consistent with the Integrated Development Plan.

- (h) **Publication of awards** in respect of advertised competitive bids. (above the threshold value of (R300 000)

The following information on the successful bids must be placed on the municipal website:

- Contract numbers and description of goods, services or infrastructure projects;
- Names of the successful bidders and the B-BBEE level of contribution claimed;
- Brand names and dates for completion of contracts.

(i) **Functionality**

Whenever it is deemed necessary to evaluate bids on functionality, the Prescripts contained in the Preferential Procurement Regulations, 2022 must be followed.

- (i) Clear indication must be given in bid documents if bids will be evaluated on functionality.
- (ii) Evaluation criteria must be objective.
- (iii) The weight of each criterion, applicable values and the minimum qualifying score (for each bid on its own merit) must be indicated in the bid documents.
- (iv) Bidders failing to achieve the qualifying score for functionality must be disqualified.
- (v) Bidders achieving the minimum qualifying score must be evaluated further in terms of points for price and specific goals
- (vi) Must be determined separately for each tender; and may not be so low that it may jeopardise the quality of the required goods and services; or high that it is unreasonably restrictive.
- (vii) Points scored for functionality must be rounded off to the nearest two decimal places.

- (2) When procuring goods or services contemplated in 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 municipality's supply chain management system, including
- (a) the kind of goods or services; and
 - (b) the name of the supplier.

FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT (PG 5 – PG 7)

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation. The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP.

11.1 Procurement Gate 5 (PG 5)

- a) Solicit tender offers.

11.1.1 Minimum requirements for PG 5

- i. Invite contractors to submit tender offers.
 - ii. Receive tender offers.
 - iii. Record tender offers.
 - iv. Safeguard tender offers.
- b) PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.

11.2 Procurement Gate 6 (PG 6)

- a) Evaluate tender offers premised on undertakings and parameters established in procurement documents.

11.2.1 Minimum Requirement for PG 6:

- i. Determine whether tender offers are complete.
 - ii. Determine whether tender offers are responsive.
 - iii. Evaluate tender submissions.
 - iv. Review minimum compliance requirements for each tender.
 - v. Perform a risk analysis.
 - vi. Prepare a report on tender offers received, and on their achievement of minimum compliance.
- b) PG 6 is complete when the chairperson of the Bid Evaluation Committee approves the BEC report.

11.3 Procurement Gate 7 (PG 7)

- a) Award the contract.

11.3.1 Minimum Requirement for PG 7:

- i. Bid adjudication committee review of the BEC evaluation report
 - ii. Bid Adjudication Committee makes an award.
 - iii. Accounting Officer Approval of the tender process.
 - iv. Notify successful tenderer and unsuccessful tenderers of the outcome.
 - v. Sign contract document.
 - vi. Formally accept tender offer.
- b) PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract.

12. Range of procurement processes

- (1) Goods and services may only be procured by way of –
 - (a) petty cash purchases, up to a transaction value of R2 000 VAT included); (To be read with clause 15)
 - (b) formal written price quotations for procurements of a transaction with a Rand value over R2 000.00 and up to a value of R 300 000.00 VAT included); (To be read with clauses 13, 17 and 18)
 - (c) a competitive bidding process for –
 - (i) procurement above a transaction value of R300 000 (VAT included);
 - (ii) The procurement of long term contracts;
- (2) The accounting officer may, in writing-
 - (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) formal written price quotations be obtained for any specific procurement of a transaction value between R2000 and R300 000 (all taxes included); or
 - (ii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in sub regulation (1)(c)(i) to (iii) R300 000 (all taxes included).
- (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

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) registered on Central Suppliers Database (CSD) with a tax compliant status, original tax clearance certificate from the south African Revenue Services;
 - (v) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears for more than three months; or if the bidder lives in a rural area, he or she should get proof of residence from the **tribal authority** of the area;
- Bids/ quotations should only be awarded to suppliers who are not in arrears with their municipal rates and taxes. If the suppliers are not resident in this municipality, but offer their services from any other municipality, the same

applies. It should be established if they are not in arrears in their own municipality.

- (vi) requirements for construction and engineering related bids should be awarded according to CIDB regulations;
- (vii) The CIDB Act requires that all projects need to be registered with the CIDB;
- (viii) Before an award is done to a contractor, the contractor's CIDB grading must be confirmed with the CIDB website;

(ix) The CIDB grading designation is as follows:

Grading designation	Less than or equal to
1	R 500 000
2	R 1 000 000
3	R 3 000 000
4	R 6 000 000
5	R 10 000 000
6	R 20 000 000
7	R 60 000 000
8	R 200 000 000
9	No Limit

- (b) has authorised the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and the tax compliant status be verified on the Central Supplier Database (CSD) and
- (c) has indicated –
 - (i) whether he or she is in the service of the state or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

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 of the municipality or municipal entity through formal written price quotations; and
 - (b) invite prospective service providers of goods and services to apply for evaluation and listing as accredited prospective service providers for subcontracting purposes; and
 - (c) dis-allow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
 - (d) Suppliers may update their CSD status continuously;
 - (e) CSD is compiled per commodity and per type of service.
- (2) At least once per year the accounting officer shall, through newspapers commonly circulating locally, the website of Karoo Hoogland LM, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultancy services to apply for listing as an accredited prospective supplier. The list must be updated regularly to include any additional prospective providers and any new commodities or types of services and specify the listing criteria for accredited prospective providers. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.
- (4) The Municipal Supply Chain Management Regulation 38(1) (c) requires a supply chain management policy to provide measures for combating abuse of supply chain management system and must enable the Accounting Officer to check the National Treasury's database of restricted suppliers prior to awarding any contract. The utilization of the web based national central supplier database must be used for disallowing the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

15. Petty cash purchases

- (1) The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows:
 - (a) the municipal manager determines the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;

- (b) the municipal manager determines the maximum number of petty cash purchases or the maximum amounts per month for each manager;
- (c) the municipal manager determines any types of expenditure from petty cash. Purchases that are excluded, where this is considered necessary; and
- (d) a monthly reconciliation report from each manager must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

16. Formal written price quotations

- (1) The conditions for the procurement of goods or services through formal written price quotations are as follows:
 - (a) quotations must be obtained in writing from at least three different providers whose names are listed on the Central Supplier Database.
 - (b) that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by regulation 14(1)(b) and (c)
 - (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
 - (d) the accounting officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

17. Procedures for procuring goods or services through formal written price quotations

A supply chain management policy must determine the procedure for the procurement of goods and services through formal written price quotations and must stipulate -:

- (a) when using the list of accredited prospective providers, the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements more than 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;
- (c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused; and
- (d) that the accounting officer or chief financial officer must monthly be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub delegation; and
- (e) offers below R30 000 (VAT included) must be awarded based on compliance to

- specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (f) acceptable offers, which are subject to the preference points system (PPPFA and specific goals in Preferential Procurement Regulations 2022, must be awarded to the bidder whose offer is according to specifications, has the ability to deliver and is compliant with all the other requirements and who scored the highest points.
- (g) Minimum requirements for proper record keeping must be complied with.

18. Competitive bids

A supply chain management policy must specify -

- (a) That goods or services above a transaction value of R300 000 (VAT included), and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this policy.
- (b) That no requirement for goods or services above an estimated transaction value of R300 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

19. Process for competitive bidding

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

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29;
- (g) Administration of contracts
- (h) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.

20. Bid documentation for competitive bids

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

- (a) consider –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria,

including any criteria required by other applicable legislation;

- (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 (all taxes included), require bidders to furnish—
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) The Accounting Officer reserves the right to stipulate such a dispute to be settled utilizing a court of law preferably within the municipal boundaries or as close as possible to the municipal boundaries

21. Public invitation for competitive bids

- (1) The procedure for the invitation of competitive bids, is as follows:
 - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways which may include for an advertisement in the Government Tender Bulletin; and
 - (i) **GOODS AND SERVICES**
Advertisement of Bids and the publication of notices in respect of Awards, Cancelled Bids, Verification and Extension of existing contracts on the e-Tender Publication Portal and Government Tender Bulletin; and
 - (ii) **WORKS AND INFRASTRUCTURE:**
Advertisement of Bids and the Publication of notices in respect of Awards, and cancellation of bids on the CIDB -Tender.
 - (b) the information contained in a public advertisement, must include –

- (i) the **closure date** for the submission of bids, which may not be Less than 30 days in the case of transactions over R10million (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 the bid document uploaded on the e-tender portal; and
 - (iii) **date, time and venue** of any **proposed site meetings** or briefing sessions.
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30- or 14-days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

22. Procedure for handling, opening and recording of bids

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

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

23. 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.

- (d) upon approval to negotiate, the AO/AA must appoint a cross functional negotiation team, with one member appointed to be team leader.
- (e) the negotiation team leader must ensure that all members of the negotiating team are clear on the negotiation strategy and desired outcomes.

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

24. 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.

25. Committee system for competitive bids

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
 - (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, considering section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
 - (a) paragraph 26, 27 and 28 of this Policy; and
 - (b) any other applicable legislation.
- (5) The accounting officer may apply the committee system to formal written price quotations.

26. Bid specification committees

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- (2) Specifications –
 - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
 - (e) may not make refer to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations and.
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 21 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

27. Bid evaluation committees

- (1) A bid evaluation committee must –
 - (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 26(2) (f).
 - (b) evaluate each bidder’s ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;

- (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of-
 - (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.

28. Bid adjudication committees

- (1) A bid adjudication committee must –
 - (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least three senior managers of the municipality which must include –
 - (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
 - (c) a technical expert in the relevant field who is an official, and who requested the goods/services must be co-opted. Outside technical experts can also be co-opted, they must leave the meeting after advice has been given. Only standing committee members can be involved in final deliberation and recommendations or final approval.
 - (d) Where the Bid Adjudication Committee is of the view that the tenderer is charging prices higher than the fair market price, the Bid Adjudication Committee may request for the AO/AA to subject the tender to price negotiations with the tenderers scoring the highest points (from first highest to third highest) before award is made.
- (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 (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer must comply with section 114 of the Act within 10 working days
- (8) For the purposes of continuity and not to delay meetings the Accounting Officer may also appoint any official to temporarily replace members that are absent from meetings due to illness, leave, vacancies etc. Such appointment could include officials of other municipalities/state institutions to assist in completing the formation of the number of committee members The Accounting Officer may also decide whether or not such an official will have the same powers as committee members

29. Procurement of banking services

- (1) A contract for banking services –
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (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 23(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

30. 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 (all taxes included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (all taxes included).
- (4) If a SITA comment 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.

31. 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.

32. 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 wherever 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.

33. Proudly SA Campaign

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

- Firstly – suppliers and businesses within the municipality or district;
- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic.

34.Appointment of consultants

- (1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken considered when such procurements are made.
- (2) A contract for the provision of consultancy services to a municipality or municipal entity must be procured through competitive bids if -
 - (a) the value of the contract exceeds R300 000 (VAT included), in the case of a local municipality; or
 - (b) the period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

35.Deviation from, and ratification of minor breaches of, procurement processes

- (1) The accounting officer may –
 - (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only-
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

- (4) Management of expansion or variation of orders against the original contract
 - (i) Contracts may be expanded or varied by not more than **20%** for construction related goods, services and /or infrastructure projects and **15%** for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the above-mentioned thresholds must be reported to council. Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of Section 116 (3) of the MFMA which will be regarded as an amendment of the contract.
 - (ii) The contents of this paragraph are not applicable to transversal contracts, facilitated by the relevant treasuries on behalf of municipalities and specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.

36.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) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

- (7) When considering the matter, the adjudication committee must consider –
 - (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.

37. Combating of abuse of supply chain management system

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

the bidding process or the execution of the contract that benefited that person; and

- (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs 37 (1)(b)(ii), (e) or (f) of this policy.
- (3) The accounting officer must, as part of complying with **section 62 of the MFMA** set up and maintain a register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures. The aim with the register is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences flowing from such expenditures until all the issues that gave rise to the expenditures are properly resolved in accordance with the legal framework. Please also consult National Treasury **MFMA Circular 68** dated 10 May 2013 in this regard.

(4) **REMEDIES.**

The regulation has been enhanced to include sub-regulations related to:

- (i) Giving tenderer an opportunity to make a submission;
- (ii) Informing the relevant treasury in writing of any actions taken against the tenderer;
- (iii) The responsibilities of the treasury after receiving documents from the organ of state concerned.

Part 3: Logistics, Disposal, Risk and Performance Management

38. Logistics management

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

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved, certification by the responsible

- officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

39. Disposal management

- (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:
- (2) Assets may be disposed of by one of–
 - (a) (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset.
 - (b) The accounting officer must ensure that –
 - (i) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (ii) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (iii) in the case of 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 disposal of firearms, [are not sold or donated to any person or institution within or outside the Republic unless approved by] the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;
 - (c) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated

40. Risk management

- (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are contained in the Risk Management Policy of the municipality.
- (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.

41. Performance management

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

Part 4: Other matters

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

- (1) No award above R15 000.00 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

43. Prohibition on awards to persons in the service of the state

- (1) Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
 - (a) who is in the service of the state;
 - (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - (c) a person who is an advisor or consultant contracted with the municipality.

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

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 (VAT included) 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.

45. Ethical standards

- (1) A code of ethical standards as set out in subparagraph (2) is hereby established for officials and other role players in the supply chain management system of the municipality 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.

Note:

*It is recommended that the municipality or municipal entity adopt 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 located under "legislation". This code of conduct must be adopted by council or board of directors to become binding.*

- (2) An official or other role player involved in the implementation of this Policy-
 - (a) must treat all providers and potential providers equitably;
 - (b) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.00;
 - (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 municipality;
- (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 46 (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 considered by supply chain management practitioners and other role players involved in supply chain management.
- (5) A breach of the code of ethics must be dealt with as follows -
 - (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

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

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of May either directly or through a representative or intermediary promise, offer or grant –
 - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

- (2) Subparagraph (1) does not apply to gifts less than R350.00 in value.

47. Sponsorships

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

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

48. Objections and complaints

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

49. Resolution of disputes, objections, complaints and queries

- (1) The accounting officer must within 14 days from receipt of a written complain detailing the bid or quotation number, the part of the municipality's policy, regulation or Act that has been violated, the details of the violation, the department or region involved, and relief sought, appoint an independent and impartial person who was not involved in the transaction in question, within or from outside the municipality:
 - (a) to investigate and propose dispute resolution;
 - (b) to assist in the resolution of disputes between the municipality and other persons or service providers 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
 - (c) 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) The municipality may appoint an ombudsman on an 'as and when' required basis to investigate complaints submitted. The duties and functions of such a person will be contained in the Terms of Appointment.

- (6) Disputes relating to running contracts or completed contracts will be resolved strictly according to the disputes resolution mechanism provided for in the contract document.
- (7) 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.
- (8) This paragraph must not be read as affecting a person's rights to approach a court at any time.

50. Contracts providing for compensation based on turnover

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

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

51. Commencement

This Policy takes effect on day a resolution has been passed by Council.

KAROO HOOGLAND MUNICIPALITY

Appendix A : CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

1. Preamble

In accordance with regulation 46(4) and 46(5) of the Local Government Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations, the supply chain management policy of a municipality or municipal entity is required to consider the National Treasury's code of conduct for supply chain management practitioners and other role players. The municipality has adopted the National Treasury code of conduct. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality.

2. Purpose

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

3. General Principles

The Karoo Hoogland municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

Officials and other role players involved in SCM should comply with the Code of Conduct for municipal employees as contained in the Local Government Municipal Systems Act, 2000 (Act 32 of 2000)

4. **Conflict of interest**

An official or other role player involved with supply chain management –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.00;
- (d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the Karoo Hoogland 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 declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) should not take improper advantage of their previous office after leaving their official position.

5. **Accountability**

Practitioners are accountable for their decisions and actions to the public. Practitioners should use public property scrupulously.

Only accounting officers or their delegates have the authority to commit the Karoo Hoogland municipality to any transaction for the procurement of goods and / or services.

All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including

- (i) any alleged fraud, corruption, favouritism or unfair conduct;
- (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
- (iii) any alleged breach of this code of conduct.

Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

6. Openness

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

7. Confidentiality

Any information that is the property of the Karoo Hoogland municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder/ contractor may be revealed if such an action will infringe on the relevant bidder's / contractor's personal rights.

Matters of confidential nature in the possession of officials and other role players involved in Supply Chain Management should be kept confidential unless legislation, the performance of duty or the provision of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

8 Bid Specification / Evaluation / Adjudication Committees

Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the Karoo Hoogland municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.

Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently

The entire members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

No person should-

- interfere with the supply chain management system of the Karoo Hoogland municipality;
- or
- amend or tamper with any price quotation / bid after its submission.

9. **Combative Practices**

Combative practices are unethical and illegal and should be avoided at all costs. They include but are not limited to:

- i. Suggestions to fictitious lower quotations;
- ii. Reference to non-existent competition;
- iii. Exploiting errors in price quotations / bids;
- iv. Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

10. **Condition of Service**

This Code of Conduct is deemed as a Condition of Service and any breaches may result in disciplinary measures to be instituted against the Employee.

Annexure A

Supply Chain Management: Enhancing Compliance and Accountability

GUIDELINES ON THE IMPLEMENTATION OF DEMAND MANAGEMENT

1. PURPOSE

- 1.1. This guide aims to provide accounting officers of municipalities and municipal entities with a general understanding of the procedures to be followed when implementing demand management (DM) and the compilation of procurement plans.

2. OBJECTIVE

- 2.1. The objective of this guide is to assist municipalities and municipal entities (*hereinafter referred to as "the institution"*) with the planning for the procurement of goods, works or services in a pro-active manner and to move away from merely reacting to purchasing requests.

3. INTRODUCTION

- 3.1. Supply Chain Management (SCM) could be described as a business process that ensures that goods, works or services are delivered to the right place, in the right quantity, with the right quality, at the right cost and at the right time.
- 3.2. Demand Management is the first element of the SCM function. The objective is to ensure that the resources required to fulfil the needs identified in the Integrated Development Plan (IDP) of the institution are delivered at the right time, price and place and that the quantity and quality will satisfy those needs of the user (ultimately the provision of services to the community). As part of this element of SCM, a total needs analysis must be undertaken. This analysis must be included as part of the strategic planning process of the institution and will, therefore, incorporate future needs.
- 3.3. It is vital for managers to understand and utilize sound good practice techniques to assist them in their planning, implementation and control activities. As part of the strategic plan of the institution, resources required for the fulfilment of its obligations should be clearly analysed. This entails a detailed analysis of the goods, works or services required, including how much can be accomplished, how quickly and with what materials, equipment, resources, etc.
- 3.4. When implemented correctly, demand management within SCM forms an integral part of a series of activities that will contribute to achieving the measured goals of the institution by ensuring that goods, works or services are delivered as originally envisaged; with a reliable standard of quality and to the satisfaction of end-users. Correct implementation also ensures that, controls exist for management to detect variances early and rectify them in a planned and orderly manner and to foster a culture of compliance, thereby assisting management achieve its goals and satisfy the executive and general public.

4. STEPS TO BE IMPLEMENTED FOR DEMAND MANAGEMENT

4.1. Participation in the strategic planning process

- 4.1.1. As part of the strategic planning exercise of an institution, the various functions to be executed must be identified. Pursuant thereto, it is necessary to determine the different resources required to execute the identified functions, i.e. water services, sanitation, refuse removal, electrical, etc. These resources must be budgeted for. It is of vital importance to know, even at this stage, the estimated costs of the required resources, including the estimated costs of the required goods, works or services.
- 4.1.2. Demand management must be co-ordinated by SCM officials of the institution in consultation with end-users. This includes a detailed analysis of the goods, works or services required such as:
 - The scope of the work to be executed;
 - the material, resources, equipment required to execute the project.
- 4.1.3. The outcome of this activity should be a detailed planning document that outlines what goods, works or services should be procured, the manner in which they should be procured as well as the timelines to execute the procurement functions.

4.2. Procurement planning

- 4.2.1. Procurement planning should take place at the beginning of the financial year when the institution's IDP, Service Delivery and Budget Implementation Plan (SDBIP) and annual budget have been approved. Procurement plans cannot be developed in isolation; it should instead form part of the institution's and other functional strategies. The SCM Unit must perform hand-in-hand with user departments / directorates in the formulation of procurement plans

4.3. Analysis of the goods, works or services required

- 4.3.1. During the strategic planning phase of the institution, the goods, works or services or required to execute the identified functions are determined. The SCM Unit should assist the process in ensuring that the identified goods, works or services are the optimum resources required to achieve the goals and objectives of the institution.
- 4.3.2. The SCM unit of the institution must analyse the goods, works or services required and execute, among others, the following:
 - a) List the functions to be executed by the institution;
 - b) Conduct an analysis of the past expenditure as this exercise may, among others, contribute to determining the manner in which the institution fulfilled its needs in the past; and
 - c) Compile as detailed list of the goods, works or services required to execute the functions listed as per sub-paragraph (a) above.

4.4. **Planning to obtain the required goods, works or services**

4.4.1. Together with the end-user, the SCM Unit should apply strategic sourcing principles to determine the optimum manner in which to acquire the required goods, works or services. This entails, among others, the following:

- a) Conducting an industry and market analysis of the goods, works or services to be obtained. This must include the determination of a reasonable price for the required goods, works or services;
- b) Confirmation that sufficient funds have been allocated for the procurement of the required goods, works or services. If this is not so, the end-user must be informed accordingly. The procurement process should not proceed if funds are not available. Documentary proof must be obtained to substantiate availability of budgetary provisions;
- c) Considering the optimum method to satisfy the need, for example whether the procurement should be by means of price quotation, advertised competitive bids; limited bids; procuring the goods, works or services from other institutions, or on transversal term contracts nor *ad hoc* contracts;
- d) The frequency of the requirement(s) must be established in order to determine whether it would be cost-effective to arrange a specific term contract for the goods, works or service;
- e) Establishing whether it would be cost-effective to have the goods available as a store item within the institution. Should this be the case, the minimum and maximum storage levels of these items should be determined and managed; and
- f) Establishing the lead time required by the potential suppliers to deliver the required goods, works or services after receipt of an official order.

4.5. **Compilation of Procurement Plan**

4.5.1. Completion of the above-mentioned activities should result in the compilation of the procurement plan to be implemented by the SCM Unit.

This plan should indicate: -

- a) a description of the goods, works or service;
- b) the end-user;
- c) the contact person representing the end-user;
- d) estimated value;
- e) date of submission of specifications;
- f) date of advertisement of the bid;
- g) closing date of the advertised bid;
- h) estimated evaluation time;
- i) envisaged date of the Bid Adjudication Committee meeting;
- j) envisaged date of Accounting Officer approval (*for all*

procurement above R 10 million); and
k) envisaged date of issuance of an official order, etc.

4.5.2. An example explaining the procedures to be followed to establish the timeframes when dealing with advertised competitive bids is contained herein.

4.6. **Compilation of a bid register**

4.6.1. The SCM Unit should compile a bid register that will manage the procurement process for each requirement. This should be used as a tool to monitor and evaluate the procurement process. For all bids in excess of R 300 000, relevant information must be captured in the *template* reflecting the *schedule of the procurement plan* in respect of advertised competitive bids.

4.7. **Governance, Risk and Compliance Management**

4.7.1. The SCM Unit should on a continuous basis monitor and assess the validity and accuracy of, and compliance to the procurement plan.

EXAMPLE OF THE PROCEDURES TO BE FOLLOWED TO ESTABLISH TIMEFRAMES WHEN DEALING WITH ADVERTISED COMPETITIVE BIDS

Requirement

The Institution is a municipality, mandated, amongst others, to render water services to residents located in the Eastern Cape Province.

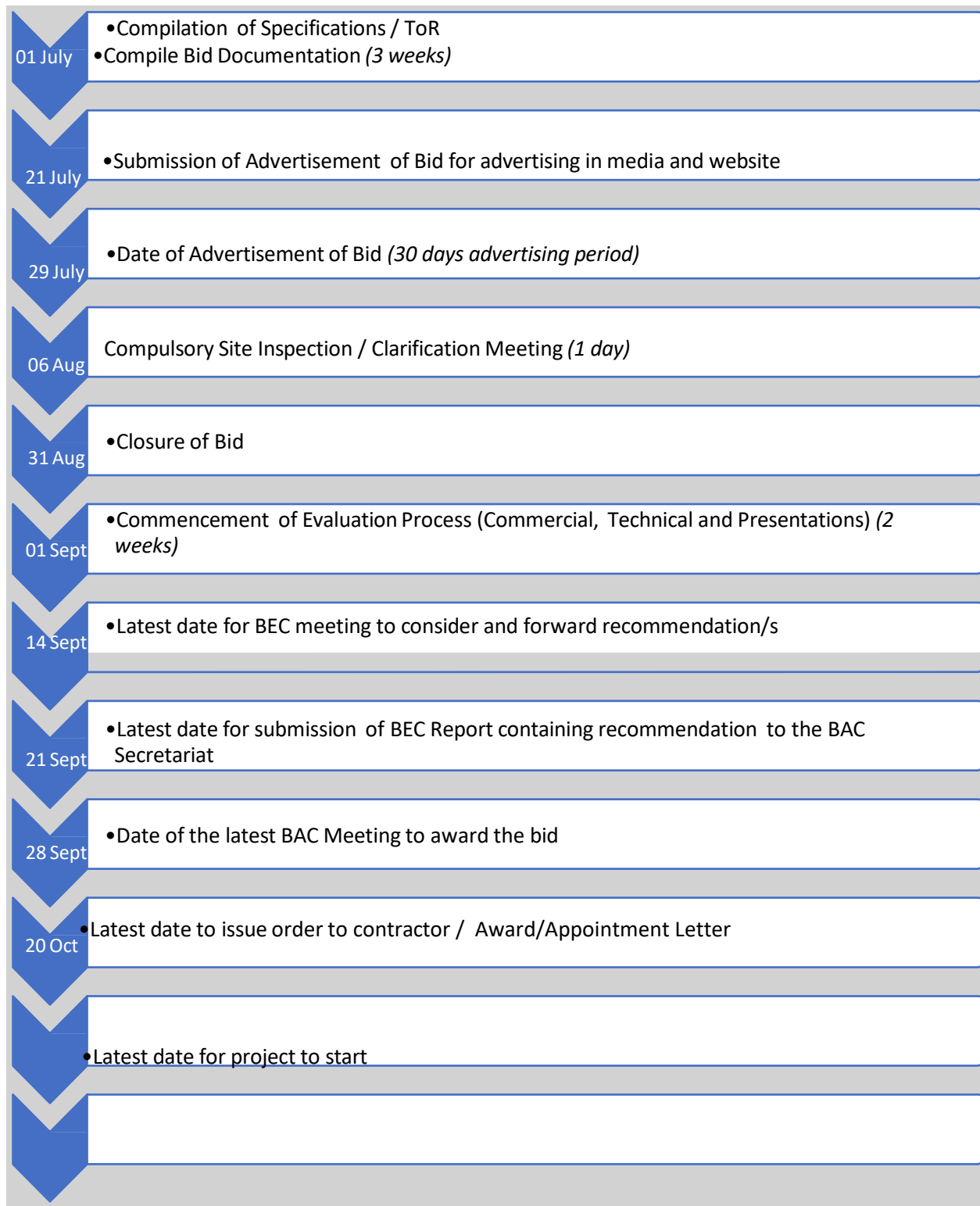
The scope of work involves new mixing channels, modifications to the settling tank, new filters, building work and the construction of two sludge ponds. Due to the specialized nature of this infrastructure project, relevant experience and expertise is required in the following areas: -

- Construction of Water Treatment Plants
- Re-enforced concrete structures
- Filter bed construction

Background information

- This project is funded by the Institution's own fund amounting to R69 million.
- The project is estimated to be completed within 30 weeks after the start date.
- The Bid Adjudication Committee (BAC) meetings are scheduled for the third Thursday of every month.
- The Bid Evaluation Committee (BEC) meetings are scheduled for every first Thursday of the month.
- Reports containing recommendations for awards must be submitted to the secretariat of the BAC six (6) working days prior to the specific BAC meeting.
- The closure date for the submission of bids may not be less than 30 days.
- The project requires a compulsory 1-day site meeting / briefing session

The following is *Sequence of Activities by Accounting Officers of Municipalities and Municipal Entities, reflecting SCM Regulation 10 issued May 2005 in terms of the MFMA, 2003*



The results regarding the envisaged dates of advertisement of each bid should thereafter be captured on the Schedule of Procurement Plan in respect of advertised competitive bids (Annexure B) as stipulated in the Circular.

PROCUREMENT PLAN

TEMPLATE Annexure B

Project Name:	
Prepared by: Bid	
Number:	
Date (MM/DD/YYYY):	

Project Initiation Phase – This portion of the Procurement Plan document is used to provide the Bid Specification Committee with general information about the need to purchase of goods and services. No approval signatures are required.

1. Procurement Statement

Describe, in general terms, what products, works or services are being considered for procurement:

2. Estimated Cost

Provide an estimated total cost of all procurements in this project.

Example: R1,567,000

3. Supplier / Service Provider Selection

Describe what approach the project team will take to select a product or vendor (e.g. RFI, RFP,).

Project Planning Phase – This portion of the Procurement Plan document provides detailed information about how vendors, products and services will be chosen, what kind(s) of contract(s) will be used, how vendors will be managed and who will be involved at each stage of the process. This document should be approved by appropriate individuals before the actual procurement process begins.

1. Procurement Definition

Describe, in specific terms, what items will be procured and under what conditions:

2. Selection Process & Criteria

Describe the selection process. List selection criteria. Describe any analytical selection tool that you will use.

3. Project Procurement Team

List all stakeholders who are involved in the Procurement Process, along with contact information and a description of their Procurement Role. Enter an [X] next to each project team member who is authorized to enter into contract agreements or purchase for the Team (insert rows as needed):

<u>X</u> he	Name:	Phone / email:	Procurement Role:
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4. Contract Type

Document which types of contract(s) will be used, and the actions required to initiate the contract.

5. Conditions of Contract

Provide the standards for documentation that will be used for each contract (e.g. General Conditions of Contract, Special Conditions of Contract).

6. Service Provider / Supplier Management

Describe what steps the project team will take to ensure that the vendor provides all of the products and/or services (and only the products and/or services) that were agreed upon, and that appropriate levels of quality are maintained.

7. Links to related planning documents

Provide hyperlinks to related documents, such as the Change Request Management Plan, Vendor Payment Plan, etc., or attach as addenda.

8. Project Procurement Plan / Signatures

Project Name:

Project Manager:

Bid Number

I have reviewed the information contained in this Project Procurement Plan and agree:

<u>Name</u>	Role	<u>Signature</u>	<u>Date</u> (MM/DD/YYYY)

The signatures above indicate an understanding of the purpose and content of this document by those signing it. By signing this document, they agree to this as the formal Project Procurement Plan.

**SCHEDULE OF PROCUREMENT PLANS IN RESPECT OF ADVERTISED
COMPETITIVE BIDS**

**(GOODS, INFRASTRUCTURE PROJECTS OR SERVICES IN EXCESS OF R300 000
INCLUDING ALL APPLICABLE TAXES)
FOR THE FINANCIAL YEAR**

Name of Municipality or Municipal Entity

Name of Accounting Officer / Delegated Official

Signature of Accounting Officer / Delegated Official

Telephone Number and email address

Bid number	Project name & Brief description	Estimated value (including all applicable taxes)	Envisaged date of advertisement on the website, newspaper or other media	Envisaged closing date of bid	Envisaged date of award	Responsible department within municipality