SCM Policy and Procedures Manual
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1. POLICIES AND PROCEDURES MANUAL ADOPTION

- The Accounting Officer must ensure that this draft SCM Policies and Procedures Manual is submitted for approval to the relevant bodies. On submission for perusal, consideration, approval and adoption by the Mayoral Committee of SDM, the manual will in-turn be forwarded to its Council for further approval.

- Should the Accounting Officer submit a draft SCM Policies and Procedures Manual to its Council that differs from the model policy, the Accounting Officer must ensure that such a manual complies with the MFMA Regulations. The Accounting Officer must report any deviation from the model policy to both the National Treasury and the Gauteng Provincial Treasury.

Version: Version 2.0
Date: 2005

Signature

_________________________ Date: ___________________
MUNICIPAL MANAGER

Adopted by the Mayoral Committee

_________________________ Date: ___________________
CHAIRPERSON

Approved by the Council

_________________________ Date: ___________________
RESOLUTION

Effective date: .............................
Next revision date: .............................
2. ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AG</td>
<td>Auditor-General</td>
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<tr>
<td>AO</td>
<td>Accounting Officer</td>
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<tr>
<td>BBBEE</td>
<td>Broad Based Black Economic Empowerment</td>
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<tr>
<td>BBBEE Act</td>
<td>Broad Based Black Economic Empowerment Act</td>
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<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
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<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
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<tr>
<td>CIDB</td>
<td>Construction Industry Development Board</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>GCC</td>
<td>General Conditions of Contract</td>
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<td>HDI</td>
<td>Historically Disadvantaged Individual</td>
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<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>ITC</td>
<td>Information to Consultants</td>
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<tr>
<td>MBD</td>
<td>Municipal Bidding Documents</td>
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<tr>
<td>MFMA</td>
<td>Municipal Finance Management Act (Act No 56 of 2003)</td>
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<tr>
<td>MSA</td>
<td>Municipal Systems Act</td>
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<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<tr>
<td>PCCAA</td>
<td>Prevention and Combating of Corrupt Activities Act. 2004</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
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<tr>
<td>PPPFA</td>
<td>Preferential Procurement Policy Framework Act (Act 5 of 2000)</td>
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<tr>
<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<tr>
<td>RFI</td>
<td>Request for Information</td>
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<tr>
<td>RFP</td>
<td>Request for Proposal</td>
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<td>RFQ</td>
<td>Request for Quotation</td>
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<td>SAPS</td>
<td>South African Police Services</td>
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<tr>
<td>SARS</td>
<td>South African Revenue Services</td>
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<tr>
<td>SCC</td>
<td>Special Conditions of Contract</td>
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<td>SCM</td>
<td>Supply Chain Management</td>
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<tr>
<td>SDBIP</td>
<td>Service Delivery and Budget Implementation Plan</td>
</tr>
<tr>
<td>SITA</td>
<td>State Information Technology Agency</td>
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<td>SLA</td>
<td>Service Level Agreement</td>
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<tr>
<td>SMME</td>
<td>Small Medium and Micro Enterprises</td>
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<tr>
<td><strong>TOR</strong></td>
<td>Terms of Reference</td>
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<tr>
<td><strong>WIP</strong></td>
<td>Work in Progress</td>
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3. DEFINITIONS AND INTERPRETATIONS

<table>
<thead>
<tr>
<th>Terminology</th>
<th>Definition</th>
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<tbody>
<tr>
<td><strong>Accounting Officer</strong></td>
<td>Municipal Manager</td>
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</table>
| **Acceptable bid/quotation**                    | Means a bidder that:  
  i. Complies in all respects with the specification and conditions of the bid.  
  ii. Has completed and signed all the prescribed bid forms to enable SDM to evaluate the submitted bid.  
  iii. Has submitted the required original tax clearance certificate and other clearance/registration forms as prescribed by the Income Tax Act and/or in the bid documentation.  
  iv. Has the necessary capacity and ability to execute the contract.  
  v. Has its municipal rates and taxes and municipal services charges in order. |
<p>| <strong>Acceptance of bid</strong>                           | Means the written award of a contract to a bidder in response to his bid or price quotation, which award may be inclusive of any conditions determined by SDM. |
| <strong>Accredited prospective providers</strong>            | Means service providers who have been successfully screened in line with the prescribed regulatory framework for municipal SCM and accordingly registered in SDM’s Provider Database/List. |
| <strong>Bidder</strong>                                      | Means any natural or legal person/company/close corporation/firm, submitting a bid or price quotation to the Municipality.                     |
| <strong>Bidding</strong>                                     | Refers to the process of getting appropriate providers to bid for work.                                                                   |
| <strong>Bidding proposal</strong>                            | Shall mean a response to an open public invitation to bid for clearly defined work/services/goods, by way of scope of supply.               |
| <strong>Black-empowered enterprises</strong>                 | Means that Black persons own at least 25, 1% of the enterprise and have substantial management control.                                   |
| <strong>Black-owned enterprise</strong>                      | Means an enterprise of 50, 1% and above, owned by Black persons having substantial management control.                                      |
| <strong>Black people</strong>                                | A generic term meaning indigenous African, Coloureds and Indians in South Africa.                                                        |
| <strong>Black women-owned enterprises</strong>               | Means, women own at least 25, 1% of Black equity.                                                                                    |
| <strong>Broad-Based Black Economic Empowerment (BEE)</strong> | Means the economic empowerment of all Black people, including women, workers, youth, disabled individuals, and people living in rural areas through diverse but integrated socio-economic strategies. |
| <strong>Call for proposal</strong>                           | Means a written invitation to interested services providers to propose a solution to a problem that is not clearly defined in terms         |</p>
<table>
<thead>
<tr>
<th>Terminology</th>
<th>Definition</th>
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<tbody>
<tr>
<td><strong>Terminology</strong></td>
<td>**Definition</td>
</tr>
<tr>
<td><strong>Closing time</strong></td>
<td>Means the time and day specified in the bid documents for the receipt of bids.</td>
</tr>
<tr>
<td><strong>Clusters</strong></td>
<td>Means a directorate in charge of a budget vote</td>
</tr>
<tr>
<td><strong>Committee</strong></td>
<td>Mean the bid committees as prescribed by the MFMA Regulations, section 112(1) of the MFMA No: 56 of 2003 – Framework for SCM.</td>
</tr>
<tr>
<td><strong>Consultants</strong></td>
<td>Means experts in terms of knowledge and skills in a particular field, who are not employed by SDM, and whose time, skills and advice could be required by the SDM in support of its business.</td>
</tr>
<tr>
<td><strong>Contract/s</strong></td>
<td>Means the agreement between entities, which is concluded when the SDM accepts a bid, quotation or call for proposal submitted by a bidder.</td>
</tr>
<tr>
<td><strong>Contractor</strong></td>
<td>Means any natural or legal person/company/close corporation/firm/joint venture whose bid has been accepted by the SDM.</td>
</tr>
<tr>
<td><strong>Contract participation goal</strong></td>
<td>Means the amount equal to the sum of the value of work for which the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum, excluding provisional sums, contingencies and VAT.</td>
</tr>
<tr>
<td><strong>Co-operatives</strong></td>
<td>A Co-operative is an autonomous association of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned enterprise and a democratically controlled enterprise.</td>
</tr>
<tr>
<td><strong>Correct bid sum</strong></td>
<td>Means the bid sum, corrected in terms of the bid documentation, where applicable.</td>
</tr>
<tr>
<td><strong>Delegated Authorities</strong></td>
<td>Means any person(s) or committee delegated by the Accounting Officer to act for or on behalf of SDM.</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>Means, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or in the range, considered normal for a human being.</td>
</tr>
<tr>
<td><strong>District</strong></td>
<td>Means Sedibeng District.</td>
</tr>
<tr>
<td><strong>Equity ownership</strong></td>
<td>Means the percentage of an enterprise or business owned by individuals or, in respect of a company, the percentage of a company’s shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise, commensurate with their degree of ownership at the closing date of the bid.</td>
</tr>
<tr>
<td><strong>Executive Director</strong></td>
<td>Means the official responsible for a cluster (department) within the Municipality.</td>
</tr>
<tr>
<td><strong>Firm price</strong></td>
<td>Means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any levy, or</td>
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<tr>
<td>Terminology</td>
<td>Definition</td>
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| tax, which in terms of a law or regulation is binding on the contractor, and has an influence on the price of goods and services supplied in the contract. | **Fronting**
| Means the use of a Black person(s) or status that is not true and correct, or commensurate with the actual status of individuals or enterprises with the view of gaining empowerment points for bids, or attaining contracts. | **He/his**
| Means reference to both genders. | **Joint venture /Consortium**
| Means an association of persons/companies/close corporations/firms/co-operatives formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge for the execution of a contract. | **Local**
| Means a professional service provider with a permanent office in Sedibeng district, manned by a partner/director with adequate officials and resources to provide the majority of the services without outside support or assistance. | **Municipality**
| Means Sedibeng District Municipality. | **Management of an enterprise**
| Means daily control by any person who is a principal executive officer of the enterprise, by whatever name that person may be designated, and whether or not that person is a Director. | **Preferential Procurement Policy**
| Means a procurement policy contemplated in section 217 (2) of the Constitution. | **Prescribed value**
| Means any transaction above R30,000 (incl. VAT) | **Prime contractor**
| Means the legal entity contracted by Sedibeng District Municipality whilst a sub-contractor contracts with the prime contractor. | **Principal**
| Means a person in a firm who is a partner in a partnership, a sole proprietor, a director in a company established in terms of the Companies Act, 1973 (Act No. 61 of 1973), or a member of a close corporation registered in terms of the Close Corporations Act, 1984 (Act No. 69 of 1984) (Note that the names of directors in companies established in terms of the Companies Act and the names of members of close corporations registered in terms of the Close Corporation Act, are those registered with the Registrar of Companies. Persons in such companies whose names are not registered are not Principals). | **Quotation**
| Means the formal calling for quotes/proposals for work/services/goods that are as far as possible defined by way of specifications or a scope of work. | **Regulation**
| Means the MFMA regulations issued in terms of section 168 of the MFMA. | **Republic**
| Means the Republic of South Africa. | **Responsible person**
| Means internal project officials (directors) and/or external consultants responsible for the administration of a contract. | **Responsive bid**
| Means a bid, which does not contain material deviations from, or
<table>
<thead>
<tr>
<th>Terminology</th>
<th>Definition</th>
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<tbody>
<tr>
<td>reservations to</td>
<td>the terms, conditions and specifications in the bidding documents.</td>
</tr>
<tr>
<td>Services</td>
<td>Mean capital goods and products, labour and or work carried out by hand, and non-tangible deliverables such as strategic advice, project management, creative design, market intelligence and knowledge.</td>
</tr>
<tr>
<td>SMMEs</td>
<td>Mean Small, Medium and Micro Enterprises as defined in the National Small Business Act, 1996 (Act No 102 of 1996).</td>
</tr>
<tr>
<td>Technical/ Professional</td>
<td>Means a person who holds a suitable tertiary educational qualification relevant to the core business of the professional service provider, or the professional services that the firm offers, and who are registered with the relevant professional council or other recognised professional body or statutory organisation.</td>
</tr>
<tr>
<td>Validity period</td>
<td>Means a period where SDM allows itself sufficient time to finalise the evaluation and award of the quotation/bid; and this period shall normally be between 60 and 90 days from the closing date of the bid; and during which the bidders undertake to maintain, without change their prices and proposals.</td>
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4. INTRODUCTION

4.1 KEY OBJECTIVES

4.1.1 This SCM Policies and Procedures Manual is aimed at introducing accepted best practices in respect of SCM whilst ensuring:

a) Efficient, effective and uniform planning for, and procurement of, all goods, services and works, required for the proper functioning of Sedibeng District Municipality (hereunder referred to as SDM), as well as the sale and letting of assets conforming to constitutional and legislative principles, whilst developing, supporting and promoting historically disadvantaged individuals, Black Economic Empowerment (BEE), Small, Medium and Micro Enterprises (SMMEs), and preferential goals (socio-economic objectives).

b) Efficient, effective and uniform management of logistics and disposal of goods and assets through the SCM process.

c) Good governance through SDM’s supply chain processes.

4.2 GUIDING LEGISLATION

4.2.1 Section 217 (1) of the Constitution of the Republic of South Africa stipulates that when an organ of state in the National, Provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

4.2.2 In reiteration of the above, section 62 (1) (f) (iv) of the MFMA requires that an Accounting Officer of a Municipality be responsible for managing the financial administration of such; and must for this purpose take all reasonable steps to ensure that the Municipality has and implements a SCM policy in accordance with Chapter 11.

4.2.3 This SCM Policies and Procedures Manual must also be read together with the following Acts and regulations:


b) Municipal Finance Management Act No 56 of 2003;

c) Broad Based Black Economic Empowerment Act No. 53 of 2003;

d) Preferential Procurement Policy Framework Act No. 5 of 2000;

e) Municipal Finance Management Regulations, issued in terms of section 168;

f) Supply Chain guidelines and SCM practice notes and circulars, as issued by National Treasury;

g) Municipal Systems Act No 32 of 2000;

h) The King Report II on Corporate Governance for SA 2002;

i) The Prevention and Combating of Corrupt Activities Act No 12 of 2004;

j) Public Service Act No. 103 of 1994);

k) The National Small Enterprise Act No 102 of 1996;


m) Promotion of Access to Information Act No. 2 of 2000; and

4.3 SDM’S SCM OBJECTIVES

a) To obtain the **optimum** supply of goods and services from the market in terms of:
   i. Quality;
   ii. Timeliness; and
   iii. Cost.

b) While at the same time:
   i. Minimizing **risk**;
   ii. Accomplishing **socio-economic objectives**, including maximizing **competition**; and

5. FRAMEWORK FOR SCM MANAGEMENT POLICIES

The SCM cycle encompasses activities associated with the flow and transformation of identified goods and services, ensuring that the end-user’s needs are fulfilled. It integrates planning, sourcing and delivering, and synchronizes business processes by linking demand for goods and services to both the institution’s strategic plan and its budget.

5.1 LEGISLATIVE REQUIREMENTS

Section 111 of the MFMA and Regulation 9 states that:

a) The Accounting Officer must develop and implement an effective and efficient SCM system for:
   i. The acquisition of goods and services; and
   ii. The disposal and letting of state assets and goods no longer required.

b) The system must be fair, equitable, transparent, competitive and cost-effective.

c) The system must be consistent with the PPPFA, BBBEE Act and the CIDB Act.

d) The system must provide for at least the following effective systems:
   i. Demand management;
   ii. Acquisition management;
   iii. Logistics management;
   iv. Disposal management;
   v. Risk management; and
   vi. Performance management.

e) No person may interfere with the SCM system.

5.2 OVERALL OBJECTIVES

5.2.1 The overall objectives of this SCM Policies and Procedures Manual is to ensure the achievement of the following:

a) That the procurement of goods and services is in line with Government’s broader policy objectives.

b) The compliance with the regulatory frameworks, minimum norms and standards; and consistency with other applicable legislation.

c) That the supply chain process is fair, effective, transparent, competitive and cost effective.

d) The provision of efficient procurement, delivery of goods and services and safeguarding of SDM’s assets.
e) The efficient, effective and uniform planning for, and procurement of, all goods and services required for the proper functioning of SDM.
f) That goods and services needs are aligned to both the strategic plan and budget of SDM.
g) The promotion of fiscal discipline associated with the procurement of goods and services.
h) Obtaining of the best value for money when procuring goods and services.
i) Reduction of financial exposure and risk to all parties.
j) That effective controls are communicated to management and officials through clear and comprehensive written documentation.

5.3 SCOPE AND APPLICABILITY OF THE POLICY

5.3.1 This SCM Policies and Procedures Manual provides for uniform SCM processes, and is applicable to:

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

5.4 EXCLUSIONS

5.4.1 The SCM Policies and Procedures Manual 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.

5.4.2 In cases where SDM procures goods and services in-line with section 110 (2) of the Act, the following must be disclosed:

a) Publicly disclose the procurement of such goods and services;
b) Disclose the description of the goods and services; and
c) Disclose the name of the provider.

5.5 TRANSITIONAL PROVISIONS

Any SCM process implemented prior to the enactment of this SCM Policies and Procedures Manual must be executed as if this Manual was in operation at the time of its initiation.

5.6 CODE OF CONDUCT

5.6.1 SCM is a particularly sensitive function in any organisation as it involves temptations for self-enrichment, bribery, manipulation, and exchange of privileged information for money. Thus, opportunity for error exists in the application of individual judgment to ethical questions that may arise.

5.6.2 In order to promote an environment of fair dealing and integrity, SDM requires that all the SCM Practitioners, and other officials, adhere to its Code of Conduct, as attached in APPENDIX A.
5.6.3 This Code also applies to any third parties, contractors or individuals/entities conducting SCM-related activities on behalf of SDM.

5.7 TRAINING

5.7.1 The Accounting Officer and all other officials involved in the implementation of the SCM Policies and Procedures Manual of SDM; must meet the prescribed competency levels as prescribed by National Treasury.

5.7.2 SDM must, for the above purposes, provide resources or opportunities for the training of officials referred, to meet the prescribed competency levels.

5.7.3 The National Treasury, or the Provincial Treasury, or any other appropriate accredited body, may be requested to assist SDM in the training of such officials.

5.7.4 The training of officials involved in implementing this SCM Policies and Procedures Manual, should be in accordance with any guidelines on SCM training as issued by Treasury.

5.7.5 It is the responsibility of the Head of SCM Unit to ensure that SCM officials are adequately developed and capacitated.

5.8 DELEGATIONS

5.8.1 General Rules - Delegation of SCM powers and duties

5.8.1.1 All SCM activities must be executed in accordance with pre-established levels of authority through delegations, to ensure control and division of responsibility.

5.8.1.2 A delegation of authority shall be in writing and be made to a specific individual and not the holder of a specific post.

5.8.1.3 A delegation or sub-delegation of authority may be confirmed, varied, or revoked by the person making the delegation or sub-delegation, but no such variation or revocation of a delegation or sub-delegation may detract from any right that may have accrued as a result of that delegation or sub-delegation.

5.8.1.4 Only the Accounting Officer is entitled to confirm, vary or revoke any decision taken in consequence of a delegation, provided that no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

5.8.1.5 The Council may not delegate any SCM powers or duties to a person who is not an official of SDM.

5.8.1.6 The voting members of the committee must exclusively be composed of officials of SDM

5.8.1.7 The Accounting Officer may not delegate and sub-delegate any SCM powers or duties to:

a) A person who is not an official of SDM.

b) Any political structure or political office-bearer of SDM and any of the powers or duties assigned to Accounting Officer in terms of this Act.

5.8.1.8 An official to whom the power to make final awards has been delegated may not in any way be permitted to make a final award in a competitive bidding process, but should only do so through a committee system.

5.8.2 Delegation of SCM powers and duties

5.8.2.1 The Council delegated such additional powers and duties to the Accounting Officer so as to enable the Accounting Officer to:

a) Discharge the legislative SCM responsibilities conferred on the Accounting Officer in terms of Chapter 8 of the MFMA and the SCM Policy responsibilities.
b) Maximise administrative and operational efficiency in the implementation of the SCM policy.

c) Enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the SCM Policies and Procedures Manual.

d) Comply with responsibilities in terms of Section 115 and other applicable provisions of the MFMA.

5.8.2.2 The delegation of authorities within the SCM process refers to the following officials:

   a) The Accounting Officer;
   b) The CFO;
   c) Executive Management;
   d) The Head of SCM Unit; and
   e) SCM officials.

5.8.3 Roles and responsibilities of the Accounting Officer

Sections 60 to 79 of the MFMA stipulate the roles and responsibilities of the Accounting Officer and the following are extracts of the applicable sections:

Fiduciary responsibilities (section 61)

The Accounting Officer of a Municipality must—

a) Act with fidelity, honesty, integrity, and in the best interests of the Municipality in managing its financial affairs;

b) Disclose to the Municipal Council and the Mayor, all material facts which are available to the Accounting Officer or reasonably discoverable, and which in any way might influence the decisions or actions of the Council or the Mayor; and

c) Seek, within the sphere of influence of the Accounting Officer, to prevent any prejudice to the financial interests of the Municipality.

General financial management functions (section 62)

The Accounting Officer of a Municipality is responsible for managing the financial administration of such, and must for this purpose take all reasonable steps to ensure that—

a) The resources of the Municipality are used effectively, efficiently and economically;

b) Full and proper records of the financial affairs of the Municipality are kept in accordance with any prescribed norms and standards;

c) The Municipality has and maintains effective, efficient and transparent systems of—
   i. Financial and risk management and internal control; and
   ii. Internal audit operating in accordance with any prescribed norms and standards.

d) Unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;

e) Disciplinary or, when appropriate, criminal proceedings are instituted against any official of the Municipality who has allegedly committed an act of financial misconduct or an offence; and

f) The Municipality has and implements a—
   i. Tariff policy in terms of the Municipal Systems Act;
   ii. Rates policy as may be required in terms of any applicable national legislation;
   iii. Credit control and debt collection policy in terms of the Municipal Systems Act; and
iv. SCM policy.

**Asset and liability management (section 63)**

1. The Accounting Officer of a Municipality is responsible for the management of:
   a) The assets of the Municipality, including the safeguarding and the maintenance of those assets; and
   b) The liabilities of the Municipality.

2. The Accounting Officer must take all reasonable steps to ensure that—
   a) The Municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the Municipality;
   b) The municipality’s assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and
   c) The Municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

**Expenditure management (section 65)**

1. The Accounting Officer of a Municipality is responsible for the management of the expenditure of the Municipality.

2. The Accounting Officer must take all reasonable steps to ensure that—
   a) The Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
   b) The Municipality has and maintains a management, accounting and information system which—
      i. recognises expenditure when it is incurred;
      ii. accounts for creditors of the Municipality; and
      iii. accounts for payments made by the Municipality.
   c) The Municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;
   d) The Municipality’s available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework; and
   e) The Municipality’s SCM policy is implemented in a way that is fair, equitable, transparent, competitive and cost-effective.

**Budget implementation (section 69)**

1. The Accounting Officer of a Municipality is responsible for implementing the Municipality’s approved budget, including taking all reasonable steps to ensure that—
   a) The spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan

**Information to be placed on websites of municipalities (section 75)**

1. The Accounting Officer of a Municipality must place the following documents of the Municipality on the website:
a) The annual and adjustments budgets and all budget-related documents;
b) All budget-related policies;
c) The annual report;
d) All performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act;
e) All service delivery agreements;
f) All long-term borrowing contracts;
g) All SCM contracts above a prescribed value;
h) An information statement containing a list of assets over a prescribed value that have been disposed during the previous quarter;
i) Contracts to which subsection (1) of section 33 apply, subject to subsection (3) of that section;
j) Public-Private Partnership agreements;
k) All quarterly reports tabled in the Council; and
l) Any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

2. All the prescribed documents must be placed on the website not later than 5 working days after its tabling in the Council, or on the date on which it must be made public, whichever occurs first.

Delegations (section 79)

1. The Accounting Officer of a Municipality—
   a) Must, for the proper application of this Act in the Municipality’s administration, develop an appropriate system of delegation that will both maximize administrative and operational efficiency and provide adequate checks and balances in the Municipality’s financial administration;
   b) May, in accordance with that system, delegate to a member of the Municipality’s top management or any other official of the Municipality—
      i. Any of the powers or duties assigned to an Accounting Officer in terms of this Act; or
      ii. Any powers or duties reasonably necessary to assist the Accounting Officer in complying with a duty which requires the Accounting Officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of this Act; and
   c) Must regularly review delegations issued in terms of paragraph (b) and, if necessary, amend or withdraw any of those delegations.

2. The Accounting Officer may not delegate to any political structure or political office-bearer of the Municipality any of the powers or duties assigned to Accounting Officers in terms of this Act.

3. All the delegation —
   a) Must be in writing;
   b) Is subject to such limitations and conditions as the Accounting Officer may impose in a specific case;
   c) May either be to a specific individual or to the holder of a specific post in the Municipality;
   d) May authorise the delegated member to sub-delegate the delegated power or duty to an official, or the holder of a specific post in that member’s area of responsibility; and
   e) Must not divest the Accounting Officer of the responsibility concerning the exercise of the delegated power, or the performance of the delegated duty.
4. The Accounting Officer may confirm, vary or revoke any decision taken in consequence of a
dlegation or sub-delegation in terms of this section, but no such variation or revocation of a
decision may detract from any rights that may have accrued as a result of the decision.

5.9 SUB - DELEGATIONS

5.9.1 The Accounting Officer may in terms of section 79 of the Act consistently sub-delegate the
following SCM powers and duties, including those delegated to him/her in terms of MFMA
Regulations:
   a) The power to make a final award above R2 million (VAT included), but not exceeding
      R10 million (VAT included) may be sub-delegated but only to:
      i. The CFO;
      ii. Executive Directors;
      iii. A Bid Adjudication Committee; or
   b) The power to make a final award not exceeding R2 million (VAT included), may be
      sub-delegated but only to:
      i. The CFO;
      ii. Executive Directors;
      iii. A Director directly accountable to the CFO or an Executive Director; or
      iv. A Bid Adjudication Committee

5.9.2 The power to make a final award above R10m (VAT included) may not be sub-delegated by
the Accounting Officer

Roles and responsibilities of Senior Managers and other officials (section 78)

1. Each Senior Manager and each official of a Municipality exercising financial management
   responsibilities must take all reasonable steps within their respective areas of responsibility to
   ensure that—
   a) The system of financial management and internal control established for the Municipality is
      carried out diligently;
   b) The financial and other resources of the Municipality are utilized effectively, efficiently,
      economically and transparently;
   c) Any unauthorized, irregular or fruitless and wasteful expenditure, and any other losses are
      prevented;
   d) All revenue due to the Municipality is collected;
   e) The assets and liabilities of the Municipality are managed effectively and that assets are
      safeguarded and maintained to the extent necessary;
   f) All information required by the Accounting Officer for compliance with the provisions of this
      Act is timeously submitted to the Accounting Officer; and
   g) The provisions of this Act, to the extent applicable to that Senior Manager or official, including
      any delegations are complied with.

2. A Senior Manager, or such official, must perform the functions referred to in subsection (1) subject
   to the directions of the Accounting Officer of the Municipality

Roles and responsibilities of the CFO (section 81)

1. The CFO of a Municipality—
   a) Is administratively in charge of the budget and Treasury office;
b) Must advise the Accounting Officer on the exercise of powers and duties assigned to the Accounting Officer in terms of this Act;

c) Must assist the Accounting Officer in the administration of the Municipality’s bank accounts and in the preparation and implementation of the Municipality’s budget;

d) Must advise Senior Managers and other senior officials in the exercise of powers and duties assigned to them; and

e) Must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, SCM, financial management, review and other duties delegated by the Accounting Officer to him/her.

2. The CFO of a Municipality is accountable to the Accounting Officer for the performance of all the duties.

Sub-delegation of duties by the CFO (section 82)

1. The CFO may sub-delegate any of the duties to the following officials—
   a) An official in the Budget and Treasury office;
   b) The holder of a specific post in that office; or
   c) To—
      i. Any other official of the Municipality; or
      ii. Any person contracted by the Municipality for the work of the office; with the concurrence of the Accounting Officer,

2. If the CFO sub-delegates any duties to a person who is not an employee of the Municipality, the CFO must be satisfied that effective systems and procedures are in place to ensure control and accountability.

3. A sub-delegation in terms of subsection (1)—
   a) Must be in writing;
   b) Is subject to such limitations or conditions as the CFO may impose; and
   c) Does not divest the CFO of the responsibility concerning the delegated duty.

4. The CFO may confirm, vary or revoke any decision taken in consequence of a sub-delegation in terms of subsection (1), but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.
6. **DEMAND MANAGEMENT**

6.1 The demand management system of SDM must ensure that the resources required support the strategic and operational commitments; and goods and services are delivered:
   a) Timeously;
   b) At the right price;
   c) At the right location;
   d) At the right quantity and quality; and
   e) Satisfy the needs of SDM.

6.2 Demand management must translate the annual plan (SDBIP) and multi-year business plan (IDP) of SDM into current and future needs. The process should consider the following as a minimum:
   a) Understanding of the current and future needs;
   b) Linking the requirements with the budget;
   c) Ensuring that the need forms part of the IDP of the municipality;
   d) Consideration of the optimum method to satisfy the need e.g. possibility of procuring goods and services using transversal or ad hoc contracts;
   e) Consideration of an analysis of previous expenditure in order to determine the manner in which the particular need was fulfilled in the past;
   f) Indication of the frequency of the specified requirement;
   g) Assessment of available assets;
   h) Determination of the economic order quantity;
   i) Identification of lead and delivery times;
   j) Planning for publication; and
   k) Conducting an industry and commodity analysis.

6.3 The demand management function is a cross functional exercise which necessitates end users involvement in SCM activities and this shall be performed by a Cross Functional Sourcing Team (CFST) that consists of individuals having the relevant expertise.

6.4 The CFST composition shall be as follows:
   a) Head of Supply Chain
   b) Financial/budgeting specialist
   c) Demand Management Specialist/ delegated official(s)
   d) Relevant end-users from Clusters

6.5 The Head of SCM Unit is responsible for the appointment of the CFST
7. ACQUISITION MANAGEMENT

a) The acquisition management system must be effective in order to ensure that:
   i. The procurement of goods and services by SDM is done in accordance with authorised
      processes only;
   ii. Expenditure on goods and services is incurred in terms of an approved budget;
   iii. The threshold values for the different procurement processes are complied with;
   iv. Bid documentation, evaluation and adjudication criteria, and general conditions of a
      contract, are in accordance with any applicable legislation;
   v. Any Treasury guidelines on acquisition management are properly taken into account; and
   vi. SDM avoids incurring unauthorised, irregular, fruitless and wasteful expenditure.

b) This SCM Policies and Procedures Manual does not apply in respect of the procurement of
   goods and services from another organ of state in the following circumstances:
   i. The provision of a municipal service or assistance in the provision of a municipal service; or
   ii. The procurement of goods and services under a contract secured by the other organ of state;
      provided that the relevant provider has agreed to such procurement.

c) Where goods and services are procured in any manner as stated in b) above, the following must
   be done:
   i. Publicly disclose quarterly in the website the procurement of such goods and services;
   ii. Disclose the description of the goods and services; and
   iii. Disclose the name of the provider.

7.1 STEPS TO BE CONSIDERED PRIOR TO ENGAGING IN A SPECIFIC PROCUREMENT METHOD

7.1.1 Consideration of all possible methods of obtaining requirements as part of the acquisition
management and those requirements should not only be procured from outside sources.

7.1.2 Consideration of internal sources of satisfying requirements first, and thereafter the application
of external sources.

7.1.3 Take into account the specific rules pertaining to specific goods and services, and
circumstances such as Public Private Partnerships and Information Technology.

7.1.4 The following are the various internal sources that should be considered prior to pursuing
external sources:
   a) Other organs of state or government institutions;
   b) List of redundant and obsolete inventory items;
   c) Available inventory;
   d) Existing contract; or
   e) Contracts secured by other organs of state.

7.1.5 In cases of d) the contract terms must be considered and e) must only be considered if the
following can be proved:
   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) That other organ of state and the provider have consented to such procurement in writing;
   c) There is no reason to believe that such contract was not validly procured; and
   d) There are demonstrable discounts or benefits to do so.
7.2 PROCUREMENT THRESHOLD

7.2.1 The following methods of procuring goods and services must be utilised depending on the threshold values:

<table>
<thead>
<tr>
<th>METHOD</th>
<th>THRESHOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty cash</td>
<td>Up to a transaction value of R800 (VAT included)</td>
</tr>
<tr>
<td>Written quotation</td>
<td>Transaction value over R800 up to R10,000 (VAT included)</td>
</tr>
<tr>
<td>Formal written price quotations</td>
<td>Transaction value over R10,000 up to R30,000 (VAT included)</td>
</tr>
<tr>
<td>Formal written price quotations</td>
<td>Transaction value over R30,000 up to R200,000 (VAT included)</td>
</tr>
<tr>
<td>A competitive bidding process</td>
<td>Transaction value above R200,000 (VAT included); and long-term contracts</td>
</tr>
</tbody>
</table>

7.2.2 Exceptions

7.2.2.1 The following exceptions may be permitted but must only be approved by the Accounting Officer:
   a) The lowering of the above threshold values (and not increase);
   b) Any direction that:
      i. Verbal quotations be obtained for any specific procurement of a transaction value lower than R10,000 (including VAT); or
      ii. A competitive bidding process be followed for any specific procurement of a transaction value lower than R200,000 (including VAT).

7.3 GENERAL RULES - ACQUISITION OF GOODS AND SERVICES USING A QUOTATION METHOD

a) The SCM Unit shall be solely responsible for sourcing quotations from prospective providers who are registered on the database of accredited prospective providers, in the relevant category and region.
b) Where SDM opts for the invitation of quotations in the procurement of certain goods and services, prospective providers who have been registered on SDM’s database must be invited to quote/bid for the requested need.
c) The request for quotations must indicate:
   i. the closing date and time,
   ii. the address where it must be submitted,
   iii. the validity period, and
   iv. the address where the supplies or the services must be delivered or rendered.
d) Where specific goods and services are procured by means of a quotation, all the potential prospective providers in that specific category must be requested to submit a quotation.
e) Where no suitable or insufficiently suitable providers are available from the list, other possible unlisted providers may be contacted to solicit quotations from them, provided that such providers meet the listing criteria as outlined in Section on Evaluation and Approval for Listing.
f) At least 3 quotations must be obtained, and where it is impractical to do so, a submission detailing all the reasons must be approved by the CFO or the Head of SCM Unit prior to the appointment of the nominated provider.

g) The quotation from the selected accredited prospective provider in the relevant commodity, together with the other prospective providers’ quotations, must be attached to the purchase requisition and submitted to the committee or Head of SCM Unit/ his delegate for approval.

h) A rotation or roster system should be utilized and the prospective providers must be granted fair opportunities.

i) The prescripts of the PPPFA and its Regulations must be applied and may also include SCC if required over and above the normal conditions.

j) When using the database of accredited prospective providers, the Accounting Officer or delegate should encourage ongoing competition amongst prospective providers.

k) The Head of SCM Unit, CFO and Accounting Officer must take all reasonable steps to ensure non-abuse of procurement of goods and services.

l) The Head of SCM Unit must within 10 working days of the end of each month, report to the CFO and Accounting Officer on any approvals given during that month.

7.4 GENERAL REQUIREMENTS FOR THE ESTABLISHMENT OF A PROVIDERS DATABASE

a) SDM shall establish and maintain a database of accredited prospective providers of goods and services, for use in obtaining written or verbal quotations, and formal written price quotations.

b) The database shall be compiled per commodity, per type of service and Co-operatives and ex-combatants.

c) The listing criteria for prospective providers shall be specified in the application forms.

d) SDM shall, at least once annually, through newspapers commonly circulating locally, its website and any other appropriate media, invite prospective providers of goods and services to apply for evaluation and listing as accredited prospective providers.

e) The database of accredited prospective providers must be used effectively to promote BEE/BBBEE and PPPFA.

f) Prospective providers whose names appear on the National Treasury’s “Database of Prohibited Persons or Entities from doing business with the Public Sector”, or appear on the Register of Bid Defaulters, must be disallowed to register.

7.4.1 Application details

7.4.1.1 The SCM unit must obtain the following essential information from each prospective provider to enable SDM to establish a provider’s profile:

   a) Name of the entity/individual;

   b) Physical and postal address;

   c) Entity type, for example public company, private company, close corporation, partnership, or sole trader;

   d) Appropriate registration numbers e.g. Close Corporation, Company registration numbers, etc;

   e) Contact details, i.e. telephone number, facsimile number and e-mail if applicable;

   f) Name(s) of director(s), member(s), partner(s) and owner(s)/principal(s) of the entity;

   g) Annual turnover of the entity/individual;

   h) HDI equity and BEE/BBBEE profile of the entity;
i) Proof of the entity’s tax affairs and municipal utilities account being in order (compulsory);

j) List of products/services offered, linked to requirement categories and regions/ areas applicable as determined by SDM;

k) The entity’s indication of its capacity and capability;

l) Specific expertise vested in the entity/individual, linked to requirement categories and regions/ areas applicable as determined by SDM;

m) A list of relevant previous/current projects with at least 2 contactable references; and

n) Bank details (physical, postal and electronic banking address), including a bank stamp or cancelled cheque.

7.4.2 Evaluation and accreditation for listing in the database of SDM

7.4.2.1 The provider’s compliance with the essential requirements must be evaluated to determine whether or not the entity qualifies for registration on SDM’s database of accredited prospective providers.

7.4.2.2 The assessment criteria referred to above, must be determined prior to the request being sent out.

7.4.2.3 All information pertaining to the prospective providers shall be treated as confidential and maintained as such.

7.4.2.4 After the application closing date, the relevant BEC must evaluate the applications and make a recommendation to the BAC, which shall consider and approve the recommended prospective providers.

7.4.2.5 SDM shall prevent the registration of prospective providers in the following circumstances:

   a) Any prospective provider whose name appears on the National Treasury’s database as a provider prohibited from doing business with the public sector;
   b) A provider whose name appears on the Register of Bid Defaulters;
   c) A provider who has been placed into liquidation;
   d) Provider whose tax affairs are not in order, or who does not have a Valid Tax Clearance Certificate;
   e) Provider who is involved in proven bribery, fraud and corruption;
   f) Provider who has not registered in accordance with statutory requirements; and
   g) Provider whose municipal account is in arrears, and not submitted any evidence to have made suitable arrangements to settle such.

7.4.2.6 Successful applicants shall be informed accordingly, and reasons for non-inclusion in the database shall be furnished to the unsuccessful applicants on request.

7.4.3 Updating of the accredited prospective providers database

7.4.3.1 The database of accredited prospective providers shall be updated at least quarterly, to include additional prospective providers, and any new commodities or types of services.

7.4.3.2 The Accounting Officer or his delegate must prevent the registration of any prospective provider whose name appears on the National Treasury’s database as a provider prohibited from doing business with the public sector.

7.4.3.3 A provider who did not qualify for registration on the database of accredited prospective providers during the first round, may re-apply for registration on the strict proviso that their status had in the interim changed, and that they would conform to all set-down requirements.
7.4.3.4 Prospective providers may, on a continuous basis, provide their details for consideration, by completing the requisite application form. However, they will only be considered for registration on a quarterly basis, with effect from the forthcoming quarter.

7.4.3.5 SDM shall collect all the registration requests over the period of the quarter, and then evaluate same.

7.4.3.6 SDM is free to consider prospective providers for registration on a more regular basis, should it wish to do so.

7.4.4 Procedures for the utilization of the providers database

7.4.4.1 SDM must invite quotes from accredited prospective providers (in the relevant commodity, category and regions/areas) featured on the database, for the various quotation thresholds.

7.4.4.2 When using the database, the Accounting Officer or his delegate must:
   a) Promote ongoing competition amongst prospective providers, i.e., invite prospective providers to submit quotations on a rotation basis.
   b) Take all reasonable steps to ensure non-abuse of procurement of goods and services through written quotations or formal written price quotations.
   c) Receive monthly written notification of all written quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.
   d) Promote the objectives of the PPPFA and BBBEE Act.

7.4.4.3 Once the database has been established per commodity, quotations should be invited therefrom.

7.4.4.4 Successful applicants must be numbered and depending on the number of prospective providers listed per category and regions/areas, quotations should preferably be invited from all the listed prospective providers per commodity to promote ongoing competition.

7.4.4.5 The invitation per commodity should be done on a rotation basis in the event of there being too many prospective providers registered on the database per commodity, e.g., by requesting at least 6 prospective providers to quote each time.

7.4.4.6 No accredited prospective provider, having provided a quote after being requested to do so, may be approached to quote again, before all prospective providers for a specific commodity had been afforded the opportunity to quote.

7.4.4.7 SDM must manage and utilise all its prospective providers’ database efficiently and effectively.

7.4.4.8 Records (SCM Policies and Procedures Manual or electronic) must be kept fastidiously, thus ensuring accurate and comprehensive recording of particulars, and price quotations obtained from the prospective providers registered on the database.

7.4.5 Removal of the accredited prospective providers from SDM’s database

7.4.5.1 Accredited prospective providers may be removed from the list/database as a result of the following:
   a) On request;
   b) Non-compliance with relevant legislation;
   c) Proven non-delivery;
   d) Proven fraud and/or corruption; and/or
   e) For any of the reasons stated in 7.4.2.5.

7.4.5.2 A provider must be removed from the database under the following circumstances:
   a) Cessation of entity;
b) Death of Sole proprietor  

c) Liquidation/sequestration of the entity;  

d) Continual proven non-delivery (twice or more often) or continuous failure to meet 
minimum specification;  

e) Non-compliance with legislation or statutory requirement e.g. tax status;  

f) Proven fraud and/or corruption;  

g) On provider’s request;  

h) By mutual written agreement; and/or  
i) Failure by provider to re-register as per the invitation  

7.4.5.3 Where required, the relevant legal expertise must be requested to assist in ensuring that the 
correct processes are followed to deal with prospective providers fairly in executing this 
process.  

7.5 ACQUISITION OF GOODS AND SERVICES FOR LESS THAN R800 (INCL. VAT)  

7.5.1 Where the value of the goods and services requested is less than R800 (incl. VAT), it is not a 
requirement to obtain quotes from prospective providers.  

7.5.2 The acquisition of goods and services with a value of less than R800 per transaction may be 
paid out of petty cash.  

7.5.3 GENERAL PETTY CASH RULES  

7.5.3.1 The intention of petty cash is to facilitate the smooth running of the office with the least 
administration and where quotations cannot be practically obtained.  

7.5.3.2 In accordance with the petty cash policy, supplies may be procured without inviting price 
quotations or bids up to a transaction value of R800.  

7.5.3.3 When procuring goods and services utilizing petty cash, the petty cash policy must always be 
adhered to.  

7.5.3.4 Only Heads of Departments may authorize petty cash purchases.  

7.5.3.5 The petty cash procedure must not be utilized under the following circumstances:  

a) Items available on contract;  
b) Items available from other pre-established sources;  
c) Professional services;  
d) Catering services; and  
e) Office refreshments.  

7.5.3.6 Directors must not delegate duties for petty cash to an official not reporting to him.  

7.5.3.7 The number of petty cash purchases, or the maximum amount per month for each Head of 
Department to spend on petty cash, must be restricted to R2, 400 per department, or as 
indicated in the Delegation of Authority Document.  

7.5.3.8 The following conditions shall apply to petty cash:  

a) The thresholds indicated in the petty cash policy for the daily float must be strictly 
adhered to.  
b) Cash purchases may only be made against available funds.  
c) Each Head of Department is restricted to the number of transactions/value of petty cash 
transactions for the month as determined in the Delegation of Authority Document.
d) All transactions must be recorded and documentary evidence must be submitted. Proof of payments shall be a cash register slip or receipt, and not the invoice, unless the invoice has been endorsed with proof of payment.

e) Should the value of a transaction exceed the prescribed transaction value, the petty cash procedure must not be used.

7.5.3.9 Subdivision of requirements to circumvent the required procurement processes must not be tolerated.

7.6 **ACQUISITION OF GOODS AND SERVICES- VALUES BETWEEN R800 AND R10 000 (INCL. VAT)**

7.6.1 Where the value of the goods and services is more than R800 (VAT inclusive) but less than R10, 000 (VAT inclusive), 3 written quotations must be obtained from accredited prospective providers in the relevant commodity, as selected from the database.

7.7 **ACQUISITION OF GOODS AND SERVICES BETWEEN R10 000 AND R30 000 (INCL. VAT)**

7.7.1 Goods and services must be procured by inviting formal written price quotations from as many as possible providers on the database of accredited prospective providers.

7.7.2 The CFO or delegate must record the names of the potential prospective providers and their written quotations.

7.7.3 The Head of SCM Unit must, within 3 working days of the end of each month, report to the CFO and Accounting Officer on any approvals given during that month.

7.7.4 The Head of SCM Unit must submit a report containing at least the following information:
   a) The names of potential prospective providers
   b) The number of quotations sourced including proof thereof
   c) Basic statistics outlining the movement in the provider database register e.g.
      i. Total per specified date;
      ii. New additions;
      iii. Prospective providers who have been removed from the register; and
      iv. The reasons thereof.

7.8 **ACQUISITION OF GOODS AND SERVICES BETWEEN R30 000 AND R200 000 (INCL. VAT)**

7.8.1 Goods and services within this threshold must be procured by inviting formal written price quotations from as many as possible accredited prospective providers.

7.8.2 Any invitation to prospective providers to submit quotes must be advertised for at least 7 working days on SDM’s website, its notice boards; and any other media where it is deemed necessary.

7.8.3 The Head of SCM Unit must notify the CFO and the Accounting Officer in writing of all written quotations accepted by SCM and this must be done on a monthly basis

7.9 **GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS**

7.9.1 A written quotation or bid may not be considered unless the prospective provider who submitted the quotation or bid:
   a) Has furnished SDM with that provider’s:
i. Full registered name of the entity/owners;
ii. Identification number or company registration number or other similar number; and
iii. Tax reference number and VAT registration number, if any.
b) Has authorized SDM to obtain a tax clearance from the South African Revenue Services
c) Has indicated:
   i. Whether he is in the service of the State, or has been in the service of the State in the
      previous 12 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 12 months; and
   iii. Whether a spouse, or child or parent of the provider or of a director, manager, 
       shareholder or stakeholder is in the service of the State, or has been in the service of the
       state in the previous 12 months.

7.10 ACQUISITION OF GOODS AND SERVICES ABOVE R200 000 (INCL. VAT) – COMPETITIVE BIDDING PROCESS

7.10.1 Goods and services above a transaction value of R200 000 (VAT included) and long term
contracts* may only be procured through a competitive bidding process, except for the
exceptions listed in Section on Exclusions above.
7.10.2 No requirement for goods and services above an estimated transaction value of R200 000 (VAT
included), may deliberately be split into parts or items of lesser value, merely for the sake of
procuring the goods and services otherwise than through a competitive bidding process.
7.10.3 Any invitation to prospective providers to submit bids must be by means of a public
advertisement in newspapers commonly circulating locally, the website of SDM, or any other
appropriate ways, and that must also include an advertisement in the Government Bid Bulletin.
7.10.4 If, in a specific case, it is impracticable to invite competitive bids, SDM may procure the
required goods and services by other means, such as through limited bidding, provided that the
reasons for deviating from inviting competitive bids are recorded and approved by the
Accounting Officer or CFO or his delegate in line with Section on Deviation from and
Ratification or Minor Breaches of Procurement Processes.
7.10.5 SDM may include an open and transparent, competitive pre-qualification bidding process in
which only pre-qualified organisations may participate.
7.10.6 The prescripts of the PPPFA must be adhered to.
7.10.7 Subdivision of requirements to circumvent the Accounting Officer’s delegated powers is not
allowed.
7.10.8 When determining transaction values, a requirement for goods and services consisting of
different parts or items must as far as possible be treated and dealt with as a single transaction.
(*long-term is defined as a period exceeding one year and for those exceeding 3 years section 33 of
the MFMA must be complied with.)

7.11 COMMITTEE SYSTEM FOR COMPETITIVE BIDS

7.11.1 Section 79 of the MFMA permits the Accounting Officer in the administration of SDM to
develop an appropriate system of delegation that will both maximize administrative and
operational efficiency, and provide adequate checks and balances in the Municipality’s
financial administration; and based on such, the Act also allows the Accounting Officer to
delegate to a member of the Municipality’s top management or any other official of the Municipality.

7.11.2 In line with the above requirements, the Accounting Officer must establish a committee system for competitive bids which shall consist of at least the following:
   a) A Bid Specification Committee (BSC);
   b) A Bid Evaluation Committee (BEC); and
   c) A Bid Adjudication Committee (BAC).

7.11.3 The established committee system must be consistent with:
   a) The MFMA Regulations 27, 28 and 29; and
   b) Any other applicable legislation.

7.11.4 The established Committee system may also be applied to formal written price quotations.

7.11.5 The Accounting Officer shall appoint the members of all the committees by taking into account section 117 of the Act.

7.11.6 The Accounting Officer may appoint a neutral or independent observer to attend or oversee the process, when it is deemed appropriate, to ensure fairness and promote transparency.

7.11.7 No councillor may be a member of a bid or any other evaluation or approval process of bids, quotations, contracts or other bids, nor attend any such meetings as an observer.

7.11.8 All committee members should be cleared at the level of “CONFIDENTIAL” and should be required to declare their financial interest annually or on a case-by-case basis; whichever occurs first.

7.11.9 The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the BEC or the BAC, back to that Committee for reconsideration of the recommendation.

7.11.10 The Committee may, where appropriate, solicit the advice of the external specialists.

7.11.11 **Bid Specification Committee (BSC)**

7.11.11.1 **Roles and responsibilities of the BSC**

a) Compile the specifications for each procurement of goods and services.

b) Ensure that the specifications are drafted as follows:

   i. In an unbiased manner to allow all potential prospective providers to offer their goods and services;

   ii. Take into account any accepted standards such as those issued by South African Bureau of Standards, the International Standards Organisation, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;

   iii. Where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

   iv. Not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;

   v. Not make reference to any particular trade mark, name, patent, design, type, specific origin or producer, unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case, such reference must be accompanied by the words “equivalent”

   vi. Indicate each specific goal for which points may be awarded in terms of the points system, and the following preferential points may be allocated:
<table>
<thead>
<tr>
<th>Targeted Groups</th>
<th>80/20</th>
<th>90/10</th>
</tr>
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<tbody>
<tr>
<td>Blacks</td>
<td>5.00</td>
<td>2.50</td>
</tr>
<tr>
<td>Women</td>
<td>4.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Youth</td>
<td>4.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Disability</td>
<td>2.00</td>
<td>1.00</td>
</tr>
<tr>
<td>SMME</td>
<td>2.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Local business</td>
<td>3.00</td>
<td>1.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20.00</strong></td>
<td><strong>10.00</strong></td>
</tr>
</tbody>
</table>

c) All specifications must be approved by the BSC committee prior to publication of the invitation of the bids.
d) If the estimated value of the transaction is expected to exceed R10 million (incl. VAT), the bidding documents must request the prospective providers to submit the following documents:
   i. Audited financial statements of the past 3 years or since establishment;
   ii. Signed certificate confirming 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 5 years including particulars of any material non-compliance or dispute concerning the execution of such contract; and
   iv. A statement indicating whether any portion of the goods or service are expected to be sourced from outside the Republic, and if so, what portion and whether any portion of payment from SDM is expected to be transferred out of the Republic.
e) Forward the final specification to the SCM Unit to facilitate final approval of the specification prior to advertisement of bids.

7.11.11.2 Composition of the BSC

a) The Accounting Officer or delegate shall establish and appoint 1 or more BSC, preferably the manager responsible for the function involved.
b) The BSC shall be composed of 4 members made up as follows:
   i. SCM Official: Demand Management;
   ii. Manager: User Clusters;
   iii. Budget Officer; and
   iv. External specialist advisors, when deemed appropriate.
c) 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.

7.11.12 Bid Evaluation Committee (BEC)

7.11.12.1 Roles and responsibilities of the BEC

a) The BEC shall evaluate all bids received for quotations above the specified threshold.
b) Evaluate offers received within the quotation threshold where the requirement is technically complex and/or there are risks involved that warrant this process.
c) Evaluate bids in accordance with the specifications and the point system as set out in terms of regulation 27(2) (f) and as prescribed in terms of the PPPFA.
d) Evaluate each bidder’s ability to execute the contract.
e) Check in respect of the recommended bidder whether municipal rates, taxes and municipal service charges are not in arrears for a period exceeding 3 months.
f) Check that the bidder has a valid tax clearance certificate or proof of any arrangement with SARS.
g) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

7.11.12.2 Composition of the BEC

a) The Accounting Officer shall appoint all the BEC members, as necessary per requirement.
b) BEC must be appointed before the closing date for bids that must be evaluated by the Committee.
c) The BEC must consist of at least 3 members and as far as possible be composed of the following:
   i. Head of SCM Unit;
   ii. Director: User Department;
   iii. Director: Financial Management and Budget;
   iv. Legal advisor;
   v. Director: IGR;
   vi. Manager: Internal Audit; and/or
   vii. External specialist advisors, when deemed appropriate.
d) The BEC shall comprise of at least 1 SCM Practitioner, a financial analyst and officials from the groups requiring the goods or services consisting of the commodity manager and an end user.
e) If considered necessary, additional persons with suitable expertise from other groups/institutions may be appointed without voting rights.
f) The Accounting Officer shall always ensure that sufficient technical expertise, financial expertise as well as supply chain expertise is represented on the BEC.
g) The Accounting Officer or his delegate shall appoint 1 of the members of the BEC preferably the Head of SCM as the Chairperson of the Committee.

7.11.13 Bid Adjudication Committee (BAC)

7.11.13.1 Roles and responsibilities of the BAC

a) Consider the report and recommendations of the BEC.
b) Assess the process followed in making the recommendation to ensure that the SCM Policies and Procedures Manual have been complied with in full.
c) Obtain clarity from members of the BEC if required.
d) The BAC must approve the recommendation submitted and award the contract if delegated to do so through the minuting of the decision and the signing of the minutes by the Committee members.
e) If the BAC is not delegated to award a specific bid, they must comment on the recommendations made and forward it together with their report to the Accounting Officer with an alternative recommendation who may finally award the contract.
f) The BAC must refer the recommendation back to the BEC should they not agree with the recommendation to endeavour to sort out the differences if they are process related.
g) Should the BAC not agree with the recommendations made by the BEC, the BAC does not have the power to finalise the award and then only the Accounting Officer may approve the final award.
h) If a bid other than the one recommended in the normal course of implementing the SCM Policies and Procedures Manual is approved, the Accounting Officer must within 10 working days, notify the Auditor-General, the Provincial Treasury and/or the National Treasury in writing of the reasons for deviating from such recommendation.
i) The above does not apply if a different bid was approved in order to rectify an irregularity.

j) If, after due consideration, the Accounting Officer rejects the decision of the BAC, the Accounting Officer must refer the recommendation back and the BAC must reconsider its recommendation.

7.11.13.2 Establishment of the BAC

a) The Accounting Officer must establish the necessary award structures to perform the award/adjudication of quotations and bids.

b) The award committees shall be made up as follows:
   i. A delegated official(s) for awards up to the quotation threshold or as delegated.
   ii. At least one standing BAC for awards above the quotation threshold and up to R10 million as delegated by the Accounting Officer.
   iii. The Accounting Officer for awards not formally delegated to the BAC i.e. bids above R10m.

c) The award structure for a specific quotation/bid cannot be:
   i. An official who performed the evaluation or made a recommendation in respect of that quotation/bid.
   ii. A person who served as a member on the BEC, who processed that quotation/bid.

d) No advisor or person, who assisted the BEC, may form part of the final decision-making process regarding the award of bids.

e) Except for the position of Chairperson, the BAC should not be established for a period exceeding 2 years should replacement skills be available. Each member’s individual appointment for a further 2 years may be considered, should the skills be unavailable and this must be reviewed annually.

7.11.13.3 Composition

a) The BAC must consist of at least 4 Executive Directors of SDM which must include:
   i. The CFO of SDM or if the CFO is unavailable, another manager designated by the CFO and reporting directly to him;
   ii. Head of SCM Unit (observer);
   iii. A technical expert in the relevant field who is an official of SDM, if SDM has such an expert;
   iv. Any 2 executive directors except the one for the requesting user department; and
   v. Director: Legal and Support Cluster.

b) The Accounting Officer or delegate must appoint the Chairperson of the BAC.

c) If the Chairperson is absent from the meeting, the members present must elect a member to preside at the meeting.

d) Neither a member of a BEC, nor an advisor or person assisting the BEC, may be a member of a BAC.

7.11.13.4 BAC award levels

7.12.12.4.1 The awarding of contracts shall be executed by the relevant award committee depending on the value of the transaction as follows:

a) Award of transaction values up to R10, 000 (incl. VAT);

b) Award of transaction values above R10, 000 (incl. VAT) up to R200 000 (incl. VAT);

c) Award for transactions above R200, 000 but less than R10 million (incl. VAT); and

d) Award for transactions above R10 million (incl. VAT).
7.12.12.4.2 Award of transaction values up to R10, 000 (incl. VAT)
The adjudication of quotations within this threshold shall be done by the Head of the Requesting Department in line with the approved delegations of authority.

7.12.12.4.3 Award of transaction values above R10, 000 (incl. VAT) up to R200,000 (incl. VAT)
The BAC for this threshold shall be made up of the following officials:

a) CFO or Director: Financial Management and Budget;
b) An SCM official who directly reports to the Head of SCM Unit;
c) SCM Official: Acquisition, who is an official of SDM;
d) A technical expert; and
e) Chairperson of the BEC (ex-officio member).

7.12.12.4.4 Award for transaction values above R200,000 (incl. VAT)

Award for transactions above R200,000 but less than R1 million (incl. VAT)
The BAC for this threshold shall be made up of the following officials:

a) The CFO;
b) Head of SCM Unit (observer);
c) A technical expert;
d) Head of the relevant user department; and
e) Chairperson of the BEC (ex-officio member).

Award for transactions above R1 million (incl. VAT)

a) The Accounting Officer;
b) The CFO;
c) Head of SCM Unit;
d) A technical expert;
e) Head of the relevant user department; and
f) Chairperson of the BEC (ex-officio member).

7.12 GOVERNANCE IN THE VARIOUS COMMITTEES

7.12.1 Appointments

a) The Accounting Officer must appoint all members annually in writing.
b) The appointed members must acknowledge their acceptance in writing.
c) The appointed members must complete an interest disclosure form.
d) Appointed members must declare all their interests in every meeting.
e) Membership to these committees is made to an individual and not a specific post/position; and may not be delegated or sub-delegated.
f) Should a member declare a conflict of interest at any stage, the member may not be part of the committee for the specific transaction and must be replaced by a member of suitable expertise.
g) An official may not be a member of the BEC and the BAC for the same bid.
h) The Accounting Officer or delegate must appoint one of the members of the Committee as the Chairperson and the Chairperson must be a senior official.
i) The Accounting Officer must always ensure that sufficient technical expertise, financial expertise as well as supply chain expertise is represented on the various Committees.

j) The Accounting Officer may decide to disband the Committees after the award of the bid; otherwise the members shall serve their prescribed term.

7.12.2 Composition

Each committee shall comprise of the number of members as prescribed in the preceding paragraphs.

7.12.3 Termination of office/membership

a) A member shall cease to be a member if:
   i. He resigns;
   ii. He ceases to be an employee of SDM for any other reason;
   iii. He becomes of unsound mind; and
   iv. He is convicted of an offence and sentenced to imprisonment without the option of a fine.

7.12.4 Attendance

a) Every member present at a meeting shall sign his name in an attendance register, which shall be kept by the Secretariat for record purposes.

b) Failure to attend 3 consecutive meetings without reasonable cause shall constitute misconduct by the member, which may result in disciplinary action taken against the member.

7.12.5 Participation

a) Meeting packs shall be distributed at least 3 working days prior to the meeting to enable members to prepare for the meeting and their participation.

b) Each member shall be allowed to play a full and constructive role in the affairs of the Committee and should be furnished with all relevant information before making any decision.

c) The decisions of each Committee meetings are binding and shall be defended by all members.

7.12.6 Quorum

a) The quorum of each Committee shall be 2/3 (two thirds) of the members who shall vote on the matter under discussion.

b) Decisions of committees shall be by a simple majority plus 1 of the members present, who shall vote on the matter requiring a decision.

c) If after 20 minutes of the time at which a meeting should commence, no quorum as contemplated in a) above, is assembled, the meeting shall not take place, unless the Chairperson in consultation with the members present agree to wait for a further period not exceeding 15 minutes to obtain a quorum.

d) If no quorum is assembled as contemplated in a) above, the business of the proposed meeting shall stand over till the next meeting is called within 3 working days for the purpose of disposing of such business.

e) The meeting contemplated above in c) and d) will be deemed an adjourned meeting and the notice and agenda of such meeting will be dealt with accordingly.

f) If a quorum cannot be obtained for 2 consecutive occasions, the Chairperson shall refer the business/matter of that meeting to the Accounting Officer for consideration, disposal and final decision making.

g) If the appointed Chairperson is absent, the present members should elect a Chairperson for that
7.12.7 Frequency

a) Each committee shall meet weekly, or whenever the need arises.
b) The frequency of meetings shall be changed at the discretion of the Chairperson in consultation with the Accounting Officer.
c) Meetings should be properly organised so that attendance is maximised.

7.12.8 Agenda

a) A standard agenda, as listed below, shall apply at all meetings with additional items being added for specific meetings:
i. Opening (including the notice convening the meeting, application for leave of absence, proposals of condolences or congratulations)
ii. Statements and communications by the Chairperson (including issues arising from other committees)
iii. Previous minutes
iv. Confirmation of minutes
v. Matters arising from the confirmed minutes
vi. Matters adjourned or deferred from a previous meeting.
vii. Reports from Committee members on:
   a. any outstanding tasks/issues
   b. achievement on SDM’s SCM targets e.g. BBBEE, targeted groups
viii. Motions:
   a. Deferred motions
   b. New motions
b) Additional items must be agreed to by the Chairperson and the Accounting Officer and must be submitted to the Secretariat at least 3 working days before the meeting.
c) The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed shall, other than under exceptional circumstances, be forwarded to each member of the Committee not less than 3 working days prior to the meeting.

7.12.9 Minutes

a) The Records Management Section of SDM, in conjunction with the SCM Unit (specifically procurement) shall provide Secretariat services to each Committee.
b) The Secretariat shall take minutes for every meeting of the Committee.
c) Minutes of the proceedings of every meeting shall be printed and be circulated to every member, at least 3 working days before each meeting and shall be submitted for confirmation, at the next meeting.
d) The minutes shall be taken as read for the purpose of confirmation if a copy thereof was furnished to each member at least 3 days prior to the meeting concerned.
e) Minutes of every meeting shall be kept and signed by the Chairperson of each committee.
f) The Chairperson of the meeting shall sign the minutes of the previous meeting as authorization before the commencement of the next meeting, unless otherwise agreed to by all members present in such meeting.
g) The minutes shall contain a record of the persons present, a complete and accurate description of matters discussed and conclusions reached as well as copies of all documents received, issued or
approved by the Committee.

7.12.10 Venue

All meetings of each Committee shall be held in any boardroom at the main premises of SDM or at a place determined by the Chairperson in consultation with the Accounting Officer.

7.12.11 Secretariat and administrative support

The Records Management Section of SDM, in conjunction with the SCM Unit shall ensure:

a) The provision of secretariat, logistical and other administrative services before, during and after every meeting and or activity relating to each Committee;

b) Those department officials shall support Committees by providing pertinent information relating to bids and procurement, upon request.

7.13 PROCESS FOR COMPETITIVE BIDDING

a) SDM shall always adhere to the competitive bidding process in the acquisition of all goods and services; and it includes the following stages:

1. Two-stage bidding process
2. The compilation of bidding documentation;
3. The public invitation of bids;
4. Site meetings or briefing sessions, if applicable;
5. The handling of bids submitted in response to public invitation;
6. The evaluation of bids;
7. The award of contracts;
8. The administration of contracts; and

7.13.1 Two – Stage bidding process (only when necessary)

7.13.1.1 SDM shall consider if pre-qualification (i.e. first stage bidding) is necessary in the following circumstances:

a) Large or complex works;

b) Projects where it may be undesirable to prepare a complete detailed technical specifications; or

c) Long-term projects with a duration period exceeding 3 years.

7.13.1.2 Pre-qualification may also be useful to determine eligibility for preference for example domestic service providers, when appropriate.

7.13.1.3 In the first stage technical proposals should be invited on conceptual design or performance specifications; these should be done subject to technical as well as commercial clarifications and adjustments.

7.13.1.4 In the second stage final technical proposals and priced bids should be invited. This ensures that invitations to bid are extended only to those who have adequate capabilities and resources.

7.13.1.5 Pre-qualification should be based entirely upon the capability and resources of prospective providers to perform the particular contract satisfactorily, taking into account their:

a) Capabilities with respect to personnel, equipment and construction or manufacturing facilities; and

b) Financial position.
7.13.1.6 The scope of the contract and a clear statement of the criteria for qualification must be sent to those who responded to the advert of invitation.

7.13.1.7 All applicants meeting the specified criteria must be allowed to bid.

7.13.1.8 SDM must inform all applicants of the results of pre-qualification. As soon as pre-qualification is completed, the bidding documents must be made available to the qualified prospective providers.

7.13.1.9 For pre-qualification for groups of contracts to be awarded over a period of time, a limit for the number or total value of awards to any one bidder may be made on the basis of the bidder’s resources. The list of pre-qualified firms in such instances must be updated periodically. Verification of the information provided in the submission for pre-qualification must be confirmed at the time of award of contract and award may be denied to a bidder that is judged to no longer have the capability or resources to successfully execute the contract.

7.13.2 The compilation of bid documents

7.13.2.1 SDM’s bid documentation must include the following:
   a) GCC as issued by National Treasury.
   b) SCC which cover any aspects not covered by the GCC.
   c) For bids related to building, engineering and construction works the GCC and MBD for Construction Projects issued by the CIDB must be used.
   d) Clearly stipulate the evaluation and selection criteria to be used.
   e) Only MBDs must be used.
   f) Clearly stipulate the type of contract e.g. contract that provides for payment on the basis of lump sum prices, unit prices, etc.
   g) Bidding documents must be prepared only in English and must be worded so as to permit and encourage competition.
   h) Bidding documents must clearly and precisely specify the work to be carried out, location, the goods to be supplied or service to be rendered, the place of delivery, minimum performance requirements, warranty and maintenance requirements, and any other terms and conditions.
   i) Details of the briefing meeting, where applicable and its status e.g. compulsory or not.
   j) Declaration of a conflict of interest by prospective providers.
   k) Stipulate the preference point system to be applied in adjudication.
   l) For any transaction which is expected to exceed R10 million (incl. VAT) the prospective providers must also furnish the following information:
      i. Audited annual financial statements for the past 3 years or since inception;
      ii. Signed certificate confirming that the bidder does not have undisputed commitments for municipal services or other service prospective providers in respect of the payments overdue for more than 30 working days;
      iii. Particulars of any contract awarded to the provider by an organ of State during the past 5 years;
      iv. Particulars of any material non compliance or dispute concerning the execution of such contract;
      v. A statement indicating whether any portion of the goods or service are expected to be sourced from outside the Republic; and
      vi. With regards to (v) above, the provider must indicate whether any portion of SDM’s payment is expected to be transferred out of the Republic.
m) The bidding document must clearly stipulate that disputes shall be settled by means of mutual consultation, mediation (with or without legal representation) and if unsuccessful in a South African court of law.

7.13.2.2 Preference point system

a) The application of preferential procurement and Broad Based Black Economic Empowerment must be consistent with:
   i. The Municipal Finance Management Act and its regulations.
   iii. The Broad-based Black Economic Empowerment Act and strategy.

b) SCM and BEC must allocate points in line with the set preferential goals as set out in the Section - Roles and Responsibilities of BSC

c) SDM may apply the preference point system for the acquisition of goods and services with a Rand value of over R800 (incl. VAT) per case.

d) The relevant preference point formula as per the PPPFA must be used to calculate the points for price in respect of acquisitioning with a Rand value equal to, or above R30 000 (incl. VAT).

e) The 80/20 preference points formula must be used to calculate the points for price in respect of acquisitioning with a Rand value equal to, or above R30 000 (incl. VAT), and up to a Rand value of R500 000 (incl. VAT) with a maximum number of points for price or a combination of price and functionality of 80.

f) The 90/10 preference points formula must be used to calculate the points for price in respect of acquisitioning with a Rand value above R500 000 (incl. VAT) in terms of legislation with a maximum number points for price or a combination of price and functionality of 90.

g) A maximum of 20 or 10 points must be allocated for equity ownership according to the stipulations in the regulations. For contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals provided that the lowest acceptable bid scores 80 points for price or a combination of price and functionality.

h) For contracts with a Rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals provided that the lowest acceptable bid scores 90 points for price or a combination of price and functionality.

7.13.2.3 Equity ownership

a) Equity ownership must be promoted through the bids equal to or above R30 000 (incl. VAT).

b) Equity ownership may be promoted through bids which are lower than R30 000 (incl. VAT).

c) Equity ownership must be promoted in line with the stipulations of the PPPFA.

d) Where prospective providers bid in a consortium, the equity ownership of each party to the bid must be taken into consideration commensurate with the percentage of the bid that will be executed by each party to the bid.

7.13.2.4 RDP objectives

a) The PPPFA range of specific RDP goals may be pursued.

b) Any specific goals for which points may be awarded must be clearly specified in the invitation to submit a quotation/bid and must be measurable, quantifiable and monitored for compliance.

c) The following are examples of specific activities that gives effect to the Proudly South African Campaign and which may be stipulated towards achieving specific goals as per section 17 of the Preferential Procurement Policy Regulations:
i. The promotion of South African owned enterprises;
ii. The promotion of export orientated production to create jobs;
iii. The promotion of SMME’s;
iv. The creation of new jobs or the intensification of labour absorption;
v. The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
vi. The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
vii. The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;
viii. The promotion of enterprises located in rural areas;
ix. The empowerment of the workforce by standardising the level of skill and knowledge of workers;
x. The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
xi. The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations and charity organisations.
d) In addition to the above, National Treasury has also approved the promotion of locally manufactured products, which may be included as a specific goal.

7.13.3 Public invitation of bids

Bids must only be invited by the SCM Unit unless directed otherwise by the Accounting Officer.

7.13.3.1 Advertisement

All prospective providers must be invited to submit bids by means of public advertisement in the following media:
a) SDM’s website;
b) SDM’s notice boards;
c) Commonly circulating local newspapers;
d) Government Bid Bulletin; and/or
e) Any other appropriate way.

7.13.3.2 Contents of the advert

a) The advert must at least contain the following information:
   i. Details about the bid/service required;
   ii. The bid number;
   iii. The closing date and time;
   iv. The cost of the bid document, if any;
   v. Briefing sessions and whether it is compulsory or not;
   vi. The location and time of collection of bid documents;
   vii. The location of the briefing session;
   viii. The time of the briefing session;
   ix. A statement that bids must only be submitted on the bid documentation provided by SDM;
   x. Indicate the name/ contact details of official (s) who can be contacted by prospective providers for any enquiries;
xi. The preference point system to be applied in adjudication; and
xii. The validity period of the bid (if applicable).

7.13.3.3 General rules

a) Bid documentation must only be prepared in English.
b) Bids must be advertised for at least 30 working days for any transaction with a value in excess of
   R10 million (incl. VAT).
c) Bids for banking services must be open for at least 60 working days.
d) Any other bids except the above must be advertised for at least 14 working days; and the counting
   of the working days commences from the date on which the last advertisement is placed in the
   media.
e) Where bids are advertised for a shorter period i.e. less than 30 working days or 14 working days,
   an application including valid reasons must be submitted to the Accounting Officer or his delegate
   for approval.
f) The Accounting Officer must only grant the approval in e) above if the reasons include justifiable
   grounds of urgency or emergency or any exceptional case where it is impractical or impossible to
   follow the official procurement process.
g) SCM shall request prospective providers to clarify bidding information needed for evaluation;
   only in writing; and they must circulate a written response together with the query to all
   prospective providers.
h) Where additional information has to be provided, all the prospective providers must be provided
   with the same information.
i) Pricing i.e. prospective providers prices must either be quoted as lump sum or unit prices and must
   include all duties, taxes and other levies.
j) All prospective providers must submit a valid tax clearance certificate and bidding documents
   must be properly signed by the relevant parties.
k) All information relating to the bidding process must be kept confidential.
l) The bid document must clearly indicate how the bids should be submitted e.g. by hand or mail and
   also clearly state the deadline and place of submission.
m) All submitted bids must be sealed and unsealed bids must be rejected.
n) Where bids are requested in electronic format, sealed hard copies must also be submitted.
o) A dedicated box/equivalent must be placed in an easily accessible location for the submission of
   the sealed bids.
p) Only bids from prospective providers who are not listed in the restricted prospective providers
   register as published by National Treasury; must be considered for evaluation.

7.13.3.4 Sale of bid documents

a) SDM shall determine the circumstances under which to sell bid documents.
b) The bid documents must be sold in line with the prescribed tariffs and the charge shall be non-
   refundable.
c) The following fees shall be payable for the sale of bid documentation:

<table>
<thead>
<tr>
<th>Type of bid</th>
<th>Non-Refundable fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>R 300.00</td>
</tr>
<tr>
<td>Consultancy</td>
<td>R100.00</td>
</tr>
<tr>
<td>Other</td>
<td>R100.00</td>
</tr>
</tbody>
</table>
7.13.4 Site meetings or briefing sessions

7.13.4.1 Site meetings or briefing sessions must be conducted at the advertised location and at the specified time.

7.13.4.2 An attendance register must be circulated and signed by all prospective providers who are present at the meeting.

7.13.4.3 The attendance register must contain the following information:
   a) Details of the bid e.g. name of service and bid number;
   b) Name of the meeting venue;
   c) Meeting time;
   d) Name of attendee;
   e) Position;
   f) Represented entity;
   g) Contact numbers, telephone, fax and e-mail address; and
   h) Signature of the attendee.

7.13.4.4 SCM must take minutes whenever briefing meetings or site meetings are held.

7.13.5 Handling of submitted bids

7.13.5.1 Receiving and opening procedures for quotations up to R200 000 (VAT incl.)

   a) A fair and transparent process must be followed for the closing, receiving, opening and processing of quotations.
   b) No person may interfere or tamper with any bids, quotations, or contracts after their submission.
   c) Bid box procedures may be used where the circumstances so require.
   d) Quotations received by post, courier or electronic means should be administratively dealt with and immediately be channeled to the physical address where quotations are received.
   e) The quotations must be date stamped and sorted according to their particular quotation numbers.
   f) Where a quotation is received, without a quotation number on the envelope, it must be opened, the quotation number ascertained and written on the envelope.
   g) All the pages of the quotations received should be initialed, checked for any amendments and if affirmative, 2 officials must co-initial at the place of the amendment. Any documents not signed or not submitted must be noted.
   h) Information on quotations received must be captured in a “Quotations Received Register”, which must contain at least the following information:
      i. Quotation number
      ii. Closing date
      iii. Date and time received
      iv. Name of the person/organisation submitting the quotation or from whom the quotation was received.
         v. Details on how the quotation was received, i.e. through courier services, electronic delivery or received in the bid box.
      vi. Whether the quotation was received timeously or late.
      vii. Whether the quotation was opened, and if so, the reasons for the opening by the receiving officials.
   i) Name of the receiving official.
   j) To ensure that this recording is properly executed, the record for quotations received must be checked on a quarterly basis in accordance with the Accounting Officer’s delegated powers.
k) Quotations must be stored/ filed with those quotations already received of similar quotation numbers if received before the closing date of the quotation.

7.13.5.2 Written quotations below R30 000 (VAT incl.)

a) Quotations must be submitted in writing preferably by hand or by post, but may also be faxed or e-mailed.

7.13.5.3 Written quotations above R30 000 but less than R200, 000 (VAT incl.)

a) Quotations must be submitted in writing preferably by hand or post, and faxes and e-mails should not be permitted.

7.13.5.4 Receiving and opening procedures for bids above R200 000 (VAT incl.)

a) A fair and transparent process must be followed for the closing, receiving, opening and processing of bids.
b) Prospective providers must be allowed to submit bids by mail or by courier or by hand; in the bid box.
c) A bid box must always be locked, unless bids are collected in order to prevent unauthorised removal of bids.
d) A bid box must be visible on the premises of SDM and shall be accessible between 08:00 and 16:00 Mondays to Fridays excluding public holidays.
e) Upon the closing time of a bid, the bid box shall be closed at exactly 12:00 to the second or the chosen closing time and all the bids should be removed.
f) At the precise closing time of the bid, the bid box must be locked to prevent late submission of bids into the box; thereafter all bids in the box shall be removed for processing.
g) At least 2 delegated officials must be present during opening of bids on the date and precise time of closing as specified. The bid box must be opened immediately after each bid has closed by at least 2 SCM officials and 1 financial officer in the prescribed public place in the presence of at least 1 member of the BEC.
h) Bids may be opened in public, and if not the bid documents must indicate so.
i) Bids must be opened at the same time and immediately after the period for the submission of bids has expired.
j) Any bidder or member of the public has the right to request that the names of the prospective providers who submitted bids before the closing date and time, be read out and, if practical, also each bidder’s total bidding price.
k) The Accounting Officer or his delegate must:
   i. Record in a register all bids received before the closing date and time;
   ii. Make the register available for public inspection; and
   iii. Publish the entries in the register and the bid results on the website of SDM and the Government Bid Bulletin.
l) Bids must be date-stamped to indicate the date and time of receipt of bids. All the pages of the bids received must be stamped / initialed or marked with a punch hole, checked for any amendments and if affirmative, 2 officials must co-initial at the place of amendment. Any documents not signed or not submitted must be noted on the covering file of the bid document.
m) Bids must be stored in a lockable facility.
n) Information on bids received must be captured in a “Bids Received Register”, that must contain at least the following information:
i. Bid number;
ii. Closing date;
iii. Date and time received;
iv. Name of the bidder;
v. Details on how the bid was received, i.e. through the post, courier services, or received in the bid box;
vi. The condition of the bid upon receipt i.e. was it open or not;
vii. Whether the bid was received on time or late;
viii. Signature of the person who received the bid; and
ix. Amount of the bid.
o) The bid register must be locked in a safe place for subsequent bid evaluations.
p) Bids other than those deposited in the bid box, must be registered in the bid register and marked “incorrectly delivered”, then filed unopened. These bids shall be rejected and not be considered for evaluation.
q) All bid documentation via telegram, e-mail, telex, facsimile or other method other than the prescribed method before, on or after the closing date and time must be registered and shall be rejected and not be considered for evaluation.
r) Make the register available for public inspection.
s) Publish the entries in the register and the bid results on the website.
t) To ensure that this recording is properly executed, the record for bids received must be checked by the Head of SCM Unit on a quarterly basis and a report submitted to the CFO and Accounting Officer.

7.13.5.5 Confidentiality

a) After public opening of bids, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards may not be disclosed to prospective providers or other persons not officially involved with the process, until the successful bidder is notified of the award.

7.13.5.6 Bids received late

a) Bids are considered late if received at the address indicated in the bid documents after closing date and time.
b) Bids received late may not be considered and may be returned unopened to the bidder where feasible, and be returned accompanied with the explanation that the bid was received late. Where the address of the bidder is not indicated on the envelope, the bid may be opened to obtain the necessary particulars and returned to the bidder.
c) Where no bid or no acceptable bid was received, the bid must be re-advertised.
d) Bids received late must be recorded as such.

7.13.6 Evaluation of bids

a) All bids duly lodged must be taken into consideration and evaluated.
b) SDM must base evaluation solely on an examination of the relevant statutory and predetermined evaluation criteria.
c) Evaluation criteria must promote the areas of value for money, technical compliance/ability and preferential procurement.
d) Members involved in the evaluation process must be honest, fair, impartial, and transparent.
c) BEC should be familiar with and adhere to prescribed legislation, directives and procedures in respect of SCM.

f) No person may interfere with the SCM system or amend or tamper with any quotations/bids after its receipt.

7.13.6.1 Compliance check procedures – SCM Unit

a) Before commencing with the evaluation the SCM Unit must undertake a compliance check to ensure that the quotation/bid documentation complies with the predetermined conditions as stated in b) below and that all required forms and information have been submitted, legibly written and completed in full.

b) The SCM Unit must ascertain whether quotations/bids received:
   i. Have been properly signed in ink in the original.
   ii. Include an original, valid tax clearance certificate or proof that suitable arrangements have been made with SARS.
   iii. Copy of the Municipal Rates account or proof of suitable arrangements.
   iv. Are substantially responsive to the quotation/bid documents.
   v. Are accompanied by the required securities, if applicable.
   vi. Are otherwise generally in order.

c) The SCM Unit must ensure that the provider’s name (including the name of the company, name of any director or partner) does not appear on the list for Restricted Providers or a Database of persons prohibited from doing business with the public sector in terms of the Prevention and Combating of Corrupt Activities Act.

d) If a quotation/bid is not substantially responsive that is, it contains material deviations from or reservations to the terms, conditions and specifications in the quotation/bid documents, it must not be considered further.

e) Must be able to identify prospective providers who are close family members of persons in the service of the State.

f) Must be able to identify prospective providers who are:
   i. In the service of the State;
   ii. Not a natural person, but of which any director, manager, principal shareholder or stakeholder is a person in the service of the State; and
   iii. A person who is an advisor or consultant contracted with SDM.

g) Verification must be done to confirm the claimed preference points and where there is reasonable doubt about the bidder’s entitled/claimed points.

7.13.6.2 Mandatory reasons for refusing bids

a) Proposal for the award of a contract must be rejected if the recommended bidder has committed a proven corrupt or fraudulent act in competing for the particular contract.

b) SDM must disregard the bid of any bidder if that bidder, or any of its directors, managers or and/or shareholders:
   i. Have abused the SCM system of SDM.
   ii. Have committed proven fraud or any other improper conduct in relation to such system.
   iii. Have failed to perform on any previous contract and such proof exists.

c) Where the bid is refused, such actions must be communicated to the National Treasury.

d) No award must be made to persons in the service of the State.
7.13.6.3 Signing of bids

a) The “Invitation to Bid” or photocopy thereof, must be signed in ink.
b) All declarations must also be signed to qualify as valid claims.
c) Bids not accompanied by an Invitation to Bid, or where the form is not signed, or not signed in ink, but otherwise complies with all the bid requirements and is recommended in terms of the delegated powers, may be considered and finalised by the BAC or the Accounting Officer or his delegate.
d) If such an unsigned bid is declared to be valid, the bidder must be requested to sign it in ink, before the parties sign the contract form.

7.13.6.4 Authorisation to sign bid documents

a) The Invitation to Bid documents only makes provision for the capacity of the signatory to be indicated and does not make provision for the bidder to indicate whether he is duly authorised to sign the bid documentation.
b) A duly authorised person must sign the bid document.
c) This must be stated as a special condition.

7.13.6.5 Tax clearance certificates

a) As proof that there are no outstanding taxes obligations, a valid Tax Clearance Certificate must be submitted in the original.
b) In all cases where the bidder did not submit the Certificate by the closing time, or the certificate is not in the original or invalid, the bidder must be afforded an opportunity and requested to submit the Certificate within 14 working days from the date of the request. Recommendations with regard to such matters must be submitted to the relevant evaluation and award structures.
c) SDM must reject any bid from a SA provider failing to provide written proof from SARS that the provider either has no outstanding tax obligations or has made arrangements to meet such or whose tax affairs are not confirmed by SARS to be in order.
d) No contracts may, however, be awarded to SA prospective providers who failed to submit the original Tax Clearance Certificate within the relevant period and this must be reported to SARS.
e) Where a “Request for Information” (RFI) was advertised, it is unnecessary for tax clearance certificates to be presented. However, should it not be included in the RFI, it must be included as a bid condition in the documents distributed to the prospective qualifying providers and thus taken into consideration at that stage.
f) All databases reflecting contracting activities must be made accessible to SARS officials.

7.13.6.6 Submission and signing of declarations or certificates

a) In all cases where the relevant preference claim form must be submitted and a provider had completed the form or has given an indication of wishing to claim the preference points, the bidder must be allowed to complete and sign the declaration.
b) Recommendations with regard to such matters must be submitted to the relevant evaluation authority and award structure.
c) If the prospective provider is a provider but not the actual manufacturer and will be sourcing the product(s) from another company, a letter from that company(s) confirming firm supply arrangement(s) in this regard, must accompany the quotation/bid and failure to submit the document may invalidate the quotation/bid. The aforementioned statement must be included in the relevant quotation/bid documents.
d) The said company/provider must confirm that it has familiarised itself with the item description, specifications and conditions and if the quotation/bid consist of more than 1 item, it should be clearly indicated in respect of which item(s) the supportive letter has been issued.

**7.13.6.7 Declaration of interest**

a) A form for the declaration of a provider’s position and interest must be included with the quotation/bid documents.

b) An official who is involved in the evaluation and recommendation process, or who is in any way involved with the procurement process, must also certify as part of the recommendation that he complies with The Prevention and Combating of Corrupt Activities Act.

c) All officials who can influence the award of a quotation/bid are seen as officials who are involved in the recommendation process.

d) The register of attendance or disclaimer for the members of the BEC and the BAC shall contain the following wording:

> "I declare that I did not purposefully, unlawfully favour or prejudice anyone in the decision making process in the recommendation and award of the quotation/bid."


e) All officials who are involved in the decision making process must sign a similar affidavit.

**7.13.6.8 Provider’s own conditions**

a) All Providers must accept the GCC and SCC conditions, thus the conditions as contained in the quotation/bid documents enjoy precedence. However, in instances where providers set their own conditions and such conditions are found to be in conflict with the quotation/bid conditions, the providers’ conditions may be recommended for acceptance where they are found to be in the interest of SDM and where the interests of other Providers are not prejudiced.

b) Where the providers’ own conditions are not in the best interest of SDM, the provider must be requested to withdraw the conditions.

c) If the providers are not willing to withdraw their unacceptable or conflicting conditions, they must be requested to furnish reasons justifying why such conditions must be accepted to the BAC for approval or alternatively the quotation/bid may be rejected.

d) A provider must not automatically be requested to withdraw own conditions without further investigation since such conditions are not necessarily unacceptable.

e) Where the BEC accepts the provider’s own conditions, a recommendation of such acceptance must be made to the BAC for the necessary consideration or decline.

f) SDM must notify the provider about its decision to reject the provider’s own conditions and such a provider must be given an opportunity to respond accordingly.

g) When advance payments are requested in a quotation/bid and at the time of bid submissions, the provider has not made payment, this must be identified as non-compliance to the bid condition and a motivated recommendation must be submitted to the BAC, if deemed necessary. Normally such a condition may be acceptable; only if a counter offer that will eliminate the risk, such as a bank/performance guarantee, is made.

**7.13.6.9 BEC Evaluation steps**

a) BEC must check whether the information received from the SCM Unit is correct and ascertain and confirm the correctness of all the received information and facts contained in each bidding document, which includes the preference points score sheet.
b) The BEC must evaluate the strengths, weaknesses and peculiarities of each bid from the highest to the lowest point scorer.

c) All comments on each quotation as well as the recommendation must be recorded in a recommendation report that must be signed off by the Chairperson of the BEC.

d) In the case of professional services, offers shall be evaluated on price and functionality, as well as achievement of specified goals where applicable. The combined percentages for functionality and price must equal 100%.

e) As the BEC consists of more than 1 member, each member shall score each quotation/bid individually according to the predetermined criteria and weightings as reflected in the original quotation/bid documents; and each member’s calculated average points shall be used for evaluation purposes.

f) Evaluations must not be based on consensus decisions only.


g) The final recommendation report must be submitted to the relevant BAC for consideration.

h) Providers may not be allowed to amend their offers in any material manner, but may be requested to clarify any ambiguities and/or information that are unclear or illegible.

7.13.6.10 Evaluation of bids above R200 000

a) The BEC must evaluate bids received and submit a recommendation regarding the award of the bids to the relevant BAC.

b) Bids must be evaluated against the predetermined criteria in the bid document. The criteria to be taken into account, are inter alia:

i. Compliance with the specification/TOR and conditions of the bid;

ii. Preferential procurement:
   • Price
   • Functionality
   • Goals (equity as well as socio economic)

iii. Capability/ability of the bidder to execute the contract;

iv. Check in respect of the recommended bidder whether its municipal rates and taxes and municipal service charges are not in arrears; and

v. Check the validity of the Tax Clearance Certificate.

7.13.6.11 Preference point system – price and functionality

a) The scoring must be done in line with prescripts of the PPPFA.

b) The PPPFA prescribes that the lowest acceptable bid must receive 80 or 90 points for price or a combination of price and functionality.

c) A bid is regarded as acceptable if:

i. It complies in all respects with the specification and conditions of the bid.

ii. The bidder completed and signed all the prescribed bid forms to enable SDM to evaluate the submitted bid.

iii. The bidder submitted the required original tax clearance certificate and other clearance/registration forms as prescribed by various acts and/or in the bid documentation.

iv. The bidder has the necessary capacity and ability to execute the contract.

v. The bidder’s municipal rates and taxes and municipal services charges are in order.

d) Bids shall only be evaluated in accordance with the evaluation criteria stipulated in the bid documentation. When any bid is passed over or regarded as non-responsive, the reasons for
disqualifying such bid must be defendable in any court of law. The following are examples of such instances:

i. Negative banking reports;
ii. Non-submission of tax clearance certificates;
iii. Lack of the necessary capacity and/or capability; or
iv. Bidder listed on the Register for Bid Defaulters, etc.

e) Deviation by more than a predetermined percentage from the cost estimate of the project/commodity cannot be regarded as a justifiable reason for the rejection of a bid and that has, therefore, not been approved as an evaluation norm by the National Treasury.

f) SCM and BEC must allocate points in line with the set preferential goals as set out in Section 7.12.10 above.

g) The BEC must allocate the maximum price score to the lowest priced acceptable bid/quote. Any other acceptable quotations/bids, that are higher in price, must score fewer points on a pro-rata basis, calculated on their prices in relation to the lowest acceptable quotation/bid in accordance with a prescribed formula.

h) The contract must be awarded to the highest point-scoring bidder unless objective criteria in addition to that pertaining to specific goals justify the award to another bidder.

i) Preference calculations or decisions, made during evaluations, must be clearly documented.

j) The point’s allocation for price may be replaced with a combination of points for functionality and price that should have been clearly stipulated in the Bid documents/TOR. This may also apply when appointing consultants.

k) If all bids received exceed the estimated Rand value linked to the preference point system applied, the bid invitation must be cancelled and re-invited stating the correct preference point system.

l) A maximum number of 20 or 10 points depending on the contract value may be awarded to a bidder for being an HDI and/or subcontracting with an HDI and/or achieving any of the specified goals stipulated. The preference must be stipulated in the specification/TOR to be used as a final multiplier (a final weighting advantage) during the evaluation process.

m) Should the relevant functionary however be of the opinion that specific goals must be achieved through the execution of the contract, the number of points to be allocated for specific goals must reduce the points allocated for equity ownership; the details of which must be included in the Bid documents/TOR. The specific goals must be measurable and quantifiable and must be monitored in the execution of the contract.

n) Critical factors (criteria) are the essential characteristics that the offer pertaining to the goods/services/works must possess. If an offer does not satisfy any of the critical factors (criteria) or minimum requirements i.e. the capacity and ability to successfully complete a contract, then it may be rejected immediately.

o) The combined percentages allocated for functionality and price must total to 100%.

p) The ratio used for the division between functionality and price must be determined and approved by the BSC, Accounting Officer or his delegate and this must be disclosed in the bid documents.

q) Score sheets should be prepared and provided to BEC members to evaluate the bids. In view of impartiality, members of the BAC may not also act as evaluators.

r) The score sheet must contain all the criteria and the weight for each criterion as indicated in the bid documents/ TOR as well as the values to be applied for evaluation.

s) Each BEC member must after thorough evaluation award his own value to every criterion without discussing any aspect of any bid with any of the other members.
t) Under no circumstances may additional evaluation criteria be added to those originally indicated in the bid documentation nor may the evaluation criteria be amended or omitted after closing of the bid.
u) Score sheets must be signed by committee members.
v) In the event of vast discrepancies in the values awarded for each criterion; written motivation may be requested from BAC members.

The percentage scored for price must be calculated as follows:

a) The following 80/20 formula must be used to calculate points for price in respect of bids/procurement with a Rand value equal to, or above R 30 000 and up to a Rand value of R500 000; and the 90/10 formula must be used to calculate the points for price in respect of bids/procurement with a Rand value above R500 000.

The following formula must be used to convert the total score to a percentage for functionality:

\[
P_s = 80\left[1 - \frac{P_t - P_{\text{min}}} {P_{\text{min}}} \right] \quad \text{Or} \quad P_s = 90\left[1 - \frac{P_t - P_{\text{min}}} {P_{\text{min}}} \right]
\]

Where:

\( P_s \) = Points scored for price of bid under consideration

\( P_t \) = Rand value of offer for bid under consideration

\( P_{\text{min}} \) = Rand value of lowest acceptable bid

b) A maximum of 20 or 10 points may be awarded to a bidder for being an HDI and/or subcontracting with an HDI and/or achieving any of the specified goals stipulated in regulation 17 of the PPPFA Regulations.
c) The points scored by a bidder in respect of the goals contemplated in b) must be added to the points scored for price.
d) The bidder with the highest number of points scored may not necessarily be selected as the preferred bidder.

7.13.6.12 Equity ownership

a) The equity ownership must be equated to the percentage of an enterprise or business owned by individuals or, in respect of a company, the percentage of a company’s shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise, commensurate with their degree of ownership at the closing date of the bid.
b) Where prospective providers bid in a consortium, the equity ownership of each party to the bid must be allocated in commensurate with the percentage of the bid that will be executed by each party to the bid.
c) Preference points may not be claimed in respect of individuals who are not actively involved in the management of an enterprise or business and who do not exercise control over an enterprise or business commensurate with their degree of ownership.
d) The SCM Unit must confirm the correctness of the equity points claimed by conducting the necessary vetting procedures. The possibility of fronting should always be considered.

e) In instances where the bidder has submitted a BEE accreditation certificate, the authenticity of such a certificate must be confirmed. For example confirm that the certifier has been accredited by the relevant institute e.g. South African National Accreditation System (SANAS), Department of Trade of Industry (DTI), etc.

f) In the event that the percentage of ownership changes after the closing date of the bid, the bidder must notify SDM and such bidder will not be eligible for any preference points.

g) All claims made for equity ownership by an HDI must be considered according to the following criteria:
   i. Equity within private companies must be based on the percentage of equity ownership;
   ii. Equity claims for a Trust may only be allowed in respect of those persons who are both trustees and beneficiaries and who are actively involved in the management of the Trust; and the relevant Trust documentation must be submitted to SDM to substantiate the validity of the credentials of the trustees; and
   iii. Preference points may not be awarded to public companies and tertiary institutions.

The following formula must be applied to calculate the number of points for equity ownership by an HDI:

\[
NEP = NOP \times \frac{EP}{100}
\]

Where

NEP = Points awarded for equity ownership by an HDI
NOP = The maximum number of points awarded for equity ownership by an HDI
EP = The percentage of equity ownership by an HDI within the enterprise or business

i. A Consortium or Joint Venture may, based on the percentage of the contract value managed or executed by their HDI members, be entitled to equity ownership in respect of an HDI.

ii. The number of points scored for a Consortium or Joint Venture must be added to the number of points scored for achieving specified goals and these points must be added to the points scored for price, in order to establish the total number of points scored.

iii. The contract must be awarded to the bidder who scores the highest points.

iv. A person awarded a contract as a result of preference for contracting with, or providing equity ownership to, an HDI, may not subcontract more than 25% of the value of the contract to a person who is not an HDI or does not qualify for such preference.

7.13.6.13 Specific goals

a) The BEC must allocate specific points as indicated in the bid documentation and no amendments must be made during the evaluation process.

b) Where circumstances warrant an amendment, full reasons must be submitted to the Accounting Officer or his delegate for approval.
c) Over and above the awarding of preference points in favour of HDIs, SDM may also regard the following activities as a contribution towards achieving the goals of the RDP (published in Government Gazette No. 16085 dated 23 November 1994):
   i. The promotion of South African-owned enterprises;
   ii. The promotion of export orientated production to create jobs;
   iii. The promotion of SMMEs;
   iv. The creation of new jobs or the intensification of labour absorption;
   v. The promotion of enterprises located in Gauteng for work to be done or services to be rendered in Gauteng;
   vi. The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
   vii. The promotion of enterprises located in Sedibeng area for work to be done or services to be rendered in Sedibeng area;
   viii. The promotion of enterprises located in rural areas;
   ix. The empowerment of the work force by standardising the level of skill and knowledge of workers;
   x. The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
   xi. The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

d) The specified specific goals must be measurable and quantifiable and the SDM’s user department must monitor the execution of the contract for compliance with such goals.

7.13.6.14 Calculation of points

a) The price submitted by the lowest acceptable bidder must be used in the formula as the basis (Pmin) when calculating the points for price.

b) The Preferential Procurement Regulations, 2001, provides for the calculation of points for price and functionality when functionality is regarded as an important evaluation criterion.

c) In such cases the bidder who scored the highest points for price and functionality, must score 80 or 90 points, while other prospective providers should score lower points out of 80 or 90 on a pro-rata basis.

d) Preference points for HDI involvement may not be included as part of functionality, but should be provided for separately as part of the 10 or 20 points allocated for specific goals.

e) If during any stage of the evaluation and/or adjudication process, it becomes evident that the bidder who scored the highest number of points is an unacceptable or non-responsive bidder and this bidder also scored the highest points for price, the points scored by each bidder must be recalculated using the new lowest acceptable bidder’s price as the basis (Pmin) for calculation purposes.

f) The Accounting Officer is not allowed to award the bid to the second highest scoring bidder as this may lead to an incorrect award of the bid. The points must be recalculated as the revised points may result in a different bidder, other than the one who was the second highest scoring.
7.13.6.15 BEC Recommendation report

a) The SCM Unit is responsible for the compilation of the recommendation report and therefore the SCM Unit and Records Management Section must provide the professional secretariat function for each evaluation.
b) Recommendation/submissions to the BAC must clearly outline the content and purpose of the matter for which consideration and approval is desired.
c) Recommendations submitted only in the form of memoranda, contracts, agreements, invoices, etc requesting general approval shall not be acceptable; but such documents should be attached as annexure supporting the report.
d) The standard reporting format must be used to ensure that all facts are fully and clearly set out in the report and the following minimum information shall be furnished:
   i. Name of the bidder;
   ii. Price and whether the price is firm or not;
   iii. Basis of delivery;
   iv. Delivery period;
   v. Trade mark;
   vi. Country of origin;
   vii. Preference claimed;
   viii. Comparative price;
   ix. In the case of single source bids, the previous purchase price must also be indicated where possible or other mechanism to determine reasonableness.
x. There must be uniformity in the sequence of categories in which bids are recommended if 1 bid contains more than one item for consideration, namely:
   - Only bid, price reasonable and in accordance with the specification.
   - Highest scorer and in accordance with the specification.
   - All higher scoring bids must be listed and the reasons for disqualifying must be furnished where bids are awarded on a point basis, any bid which scored a higher point, but is not recommended, must be listed and reasons thereof furnished.
   - Highest scorer and acceptable although not strictly to specification.
   - Highest acceptable scorer although not strictly to specification.
e) A discussion, explaining the recommendation, must always be provided where the recommendation is not self-explanatory in the light of the information already provided.

7.13.6.16 Supporting documents/information that must be supplied with recommendations report

a) The BEC must ensure that they are in possession of all relevant information in order to make informed decisions.
b) Since each bid may be unique, the BEC should at least consider the following matters:
| Qualification of bidder’s own conditions | When prospective providers do not withdraw conditions, that are unacceptable or conflicting, reasons must be provided for those conditions to be considered. When such conditions have financial implications or their withdrawal implies a second chance to bid, the facts must be pointed out to the BAC. |
| Small acceptable deviations | The BEC must be convinced that other prospective providers' competitiveness is not adversely affected by the acceptance of a bid that is not strictly to specification. |
| Increase of prices before validity lapses | Such cases must be pointed out to the BAC so that it may decide what action to take against the bidder concerned. |
| Increase of prices after validity lapses | This may be construed as an avoidable expenditure and must be reported to the Accounting Officer. Therefore the BAC must be informed of the circumstances and the person/concern responsible for the delay. |
| Reduction of prices before validity lapses | A reduction of prices and the effect thereof on the award of bids must be brought to the attention of the BAC. If the reduction in the price affects the recommendation, the reduction may not be considered. If it does not change the recommendation, it may be considered for implementation before the award. |
| Disqualifying higher scoring bids | Reasons for disqualifying a higher scoring bid must be defearable and justifiable. For instance, it is not sufficient only to specify that the bid deviates from specification. Indications of what was specified, provide a description of the deviation and its effect on the use/operation of the item. Where there are deviations in respect of several different matters, only the determinative deviations should be dealt with. |
| Reasonableness of prices | Where the reasonableness of prices cannot be substantiated or where the weighting of non-firm prices has an effect on the priority order of recommendations, all relevant information must be gathered and made available to the BAC. |
| Bids with a large number of items | Bids with a large number of items must not be delayed because of problems with a few individual items. The BEC must evaluate such items at a later date. |
| Sharing of contracts | If a contract must be shared, full reasons for sharing must be supplied and the basis of the split must be provided as well as the conditions that will apply. |
| Evaluation of samples | When an item is rejected because samples have been evaluated and do not measure up to the required standards, it must be pertinently stated in the recommendation that the product has been tested, |
c) This information must be specified in the recommendations report to the BAC.

7.13.6.17 Consideration of additional information after bid closure

a) Information received after the closing date, may only be taken into consideration if it would not influence the original recommendation made, which must be based on the original information received from providers.

b) During the consideration of quotations/bids, communication with providers may only take place with the express prior approval of the BAC.

c) Should a discount for instance be offered, it should be taken into account when the contract has been awarded, but not beforehand.

d) SDM must communicate with providers where bid information is incomplete or the quotation/bid document is not completed in full, in order to obtain the necessary information.

e) During the period of time between the closing time of a bid and the date of notice of acceptance to the successful bidder, communication regarding matters in connection with the quotation/bid, between any official or a representative of a properly appointed testing organisation or a person acting in an advisory capacity for SDM and a member of the public, may only take place with the express prior approval of the BAC.

7.13.6.18 Cancellation and re-invitation of quotations/bids

a) Where the majority of quotations/bids do not comply with the specification requirements, or where a weak reaction to the invitation can be ascribed to an unnecessarily restrictive specification, cancellation of the invitation should be considered. The specification should then be reviewed and suitably amended so that fresh, more competitive quotations/bids may be invited.

b) A quotation/bid may also be cancelled if:
   i. In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed the estimated Rand value of R500 000;
   ii. In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to, or below R500 000;
   iii. Due to changed circumstances, there is no longer need for the goods and services bided for;
   iv. Funds are no longer available to cover the total envisaged expenditure; or
   v. No acceptable bids were received.

c) A recommendation to cancel the quotation/bid must be submitted for approval as part of the evaluation report.

d) The reasons why no acceptable quotations/bids were received by the closing date and time must be investigated before a decision is made what alternative process must be followed to satisfy the requirements. The following may be possible reasons for receiving unacceptable quotations/bids:
i. Wrong choice of media for advertisement to reach the target audience in the case of advertised bids;
ii. Wrong group of potential providers targeted in the case of non-advertised bids;
iii. Terms of reference were not clear and specific;
iv. Quotations/bids submitted did not address the terms of reference as the latter was not understood or the providers were clearly inexperienced;
v. The period allowed for the submission of quotations/bids was insufficient for organisations to submit a sufficient quotation/bid or to submit quotations/bids at all;
vi. No responsive quotation/bid has been received;
vii. The prices received are exorbitant; and
viii. The requirement is no longer needed.

e) The requirement may be re-advertised / re-invited or a specific number of pre-identified service providers may be targeted.

f) The evaluation report must contain the request for cancellation accompanied by the perceived reasons determined through the investigation as well as a recommendation on the alternative process to be followed to satisfy the requirements.

g) The BAC must approve all cases where quotations/bids:
i. Must be cancelled;
ii. New quotations/bids must be solicited because of the cancellation;
iii. Negotiations with the preferred bidder must take place to determine a reduction in the scope and/or a reallocation of risk and responsibility. A substantial reduction in the scope or modification to the bidding documents may require re-bidding; and
iv. Where quotations/bids must be cancelled all prospective providers must be informed in writing of the cancellation or the cancellation must be advertised in the same media as originally advertised.

7.13.6.19 Negotiations

a) The Accounting Officer may negotiate the final terms of a contract with prospective providers identified through a competitive bidding process as preferred prospective providers, provided that such negotiation:
i. Does not allow any preferred bidder a second or unfair opportunity;
ii. Is not detrimental to any other bidder; and
iii. Does not lead to a higher price than the bid as submitted.

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

c) No negotiations may be conducted with providers regarding any aspect that might in any way affect the prices i.e. that may change the order in which quotes/bids will be ranked without the prior approval of the BAC.

d) Where such negotiations are authorised, the BAC must ensure that the negotiations take place at the appropriate management level and that the agreement, reached, is placed on record in writing.

7.13.6.20 Price confirmation

a) A legal contract cannot be concluded by the acceptance of an offer where it is obvious to any reasonable person that a price is out of line with other market prices and/or previous quoted prices.

b) In instances of this nature SDM must obtain confirmation of the correctness of the price from the provider; and SDM should not enter into any negotiation with the said provider.
7.13.6.21 Verification of preference points

a) Verification must be done to confirm the claimed preference points and when reasonable doubt exists about the bidder’s entitled/claimed points.

7.13.6.22 Amendment of prices prior to the lapsing of the validity period

a) An amendment of a quoted price during the original validity period is not allowed.

7.13.6.23 Extension of validity period

a) When validity lapses, the contractual obligation, which the provider accepted on signing the invitation to bid, falls away.

b) Changed circumstances, for which no provision is made in the bid, can occur and bidder’s conditions, such as price may be affected. Prospective providers may, therefore, wish to make changes when extending their validity periods. However, great care must be taken when disqualifying these amendments so that justice and fairness to the other prospective providers are not sacrificed.

c) When validity period extensions are requested by provider, prospective providers must be requested to indicate the nature and reasons for such proposed amendments.

d) When validity period extensions are made by SDM, the BAC or Accounting Officer approval must be obtained prior to sending any notification to prospective providers.

e) The extension of the validity periods of quotations/bids should be discouraged because it may result in amendments to quotations/bids to the disadvantage of SDM, which might have to be justified to the Council or Treasury. It is therefore recommended that the correct validity period should always be determined in the initial stages.

f) In cases where the quoted price is increased when the validity period expires and the quotation/bid concerned is either no longer recommended for acceptance or is recommended for acceptance at the higher price, the disadvantageous or incremental costs must be reported to SDM’s Council.

7.13.6.24 New and unproven products

a) SDM may not reject a bid simply because the bidder or the product offered is unknown.

b) If a brand that qualifies for acceptance is new and unknown to SDM or unproven after consultation with users, if applicable; the BEC may recommend to the BAC that only minimum requirements or a portion of the order should be provided by the bidder concerned so that they may be tested and evaluated thoroughly in practice, prior to purchasing the full order; if practicable.

c) In addition SDM should also make enquires to any entities who have previously used the product.

d) In such cases the fact that it is a new, unknown or unproven brand must be clearly indicated in the recommendation report to the BAC.

e) Feedback regarding test results must be given to the prospective providers and if the user is satisfied that the product is acceptable, then the full order may be purchased.

7.13.6.25 Proudly SA/ imported goods

a) SDM shall support the Proudly SA Campaign as far as possible in its procurement of goods and services, and where there is no local provider it may consider importing such goods and services.

b) When SDM imports goods and services the quality of such products, especially new or unknown once must be thoroughly investigated.
c) In the recommendation report to the BAC; the BEC shall state the country of origin, trademark and model.

7.13.6.26 Equal offers

a) When offers are equal in all respects on a comparative basis, where 2 or more prospective providers scored equal total points, the successful provider shall be the one scoring the highest number of preference points for specified goals as stated in Part 3, 17 of the PPPFA Regulations.
b) Should 2 or more offers still be equal in all respects, the award must be decided by the casting of votes/drawing of lots in accordance with the delegated powers.

7.13.6.27 Additional quantities

a) Before an award is made, additional quantities may be accepted up to the maximum percentage provided for in the delegated powers.
b) If, after closing of a quotation/bid but before an award has been made, a need arises for additional quantities up to the maximum percentage provided for in the Accounting Officer’s delegated powers, the recommended provider may, with prior approval of the BAC be approached to determine their willingness to supply the additional quantities at a reduced price, or at the quoted price. SDM should ensure that the excess does not exceed the approved amount.
c) The request must also be extended to all providers including those whose prices are found to be marginally higher.
d) Where the additional quantities exceed the approved additional amount/ percentage a new or a supplementary bid must be invited.

7.13.6.28 Sample

a) Notwithstanding the requirement that samples must be submitted not later than the date and time specified in the bidding documents, samples may be received up to the time that it is required for evaluation.
b) The recommendation of a bid must not be delayed because a late-received sample is still to be evaluated.
c) If samples have not been received by evaluation time, the bid must be evaluated as if no sample was submitted; and the BAC must be informed that the product has been rejected because no sample was received. This should be applied only if the requirement was part of the bid condition in the bid document.
d) The above-mentioned stipulations in regard to samples are mutatis mutandis applicable to illustrations, certificates, etc.
e) If the bid conditions call for an SABS certificate to be submitted, such certificates may be accepted until such a time that the recommendation has to be formulated. The evaluation and award process should not be delayed for this purpose.
f) When the testing of samples is delayed by the SABS or other equivalent organisations, a bidder should be allowed to submit a letter issued by the testing organisation to that effect so as not to declare the bid invalid due to the non-submission of samples.
g) **NOTE:** When it is a requirement of the bid that samples must be submitted, no bidder must be requested to submit samples after the closing of the bid, unless all of the higher bids are unacceptable on the grounds of non-compliance of the specification or price.
7.13.6.29 Comparative prices for bids with a duration of more than 3 years
a) Where bids are for contracts which are expected to be longer than 3 years, comparative prices, where necessary, must be calculated on the basis of the discounted net present values.
b) The bid document should request bidders to indicate a specific escalation rate that is determined by the market factors to be specified in their bids.
c) The rates should then be used to calculate the proposed amounts for each of the ensuing years. The BEC should check the reasonableness of the rates proposed.
d) It is recommended that the BEC should determine the applicable rate and uniformly use it to compare all the bids.
e) The following are examples where the discounted net present values must be determined:
   i. Rental contracts for office accommodation;
   ii. Rental contracts for computer and other electronic equipment; and
   iii. Maintenance contracts for elevators and other electrical and mechanical equipment with a long useful life.

7.13.6.30 Confidentiality
a) After public opening of bids, information relating to the evaluation process may not be disclosed to any directly or indirectly interested parties or any SDM officials who are not officially involved with the process, until the finalisation of the process and notification of the successful bidder has been made.

7.13.6.31 Subcontracting and joint ventures
a) While it may be beneficial to SDM to enter into these arrangements with providers, the following must be ensured:
   i. Subcontractors and partners in joint ventures are engaged in fair and reasonable conditions of contract; and
   ii. Contractors do not contravene the contract conditions otherwise designate contraveners as restricted persons/providers.

7.13.6.32 Clearing Providers with National Treasury
a) SCM must check the National Treasury database prior to awarding any contract to ensure that no recommended bidder, nor any of its directors, is listed as companies, directors or persons prohibited from doing business with the public sector.

7.13.7 Appointment of consultants
a) The Accounting Officer may, in terms of MFMA Regulation 35(1), procure consulting services provided that any Treasury Guidelines in respect of consulting services are taken into account when such procurements are made.
b) SDM shall procure consultancy services through competitive bids if:
   i. The value of the contract exceeds R200 000 (VAT included); or
   ii. The duration period of the contract exceeds one year.
c) In addition to any requirements prescribed by this policy for competitive bids, prospective providers must furnish SDM with the following:
   i. Their consultancy history in the public sector, i.e. furnish a list of all consultancy services rendered to any organ of state in the last 5 years; and
ii. Any similar consultancy services provided to an organ of state in the last 5 years.

d) SDM must ensure that copyright in any document produced, and the patent rights of ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested to SDM.

7.13.8 Deviation from and ratification or minor breaches of SCM processes

7.13.8.1 Urgent procurement

a) Irrespective of monetary value, an urgent procurement process only applies where early delivery is of critical importance and the utilisation of the standard procurement process is either impossible, or impractical.

b) In urgent cases SDM may dispense with the invitation of bids and may obtain the requirement by means of quotations, preferably making use of the database of prospective Providers per commodity or otherwise in any manner to the best interest of SDM.

c) The appropriate course of action for urgency must be justifiable for the circumstances.

d) The nature of the urgency and the details of the justifiable procurement process followed in the circumstances must be recorded and reported.

i. When the user department identifies urgency, the urgent case must be certified by the Executive Director of the user department as urgent and submitted to the SCM Unit for processing.

ii. As part of the request, the user department must provide the SCM Unit in writing with the following:

a. The nature of the urgency;

b. The date and time thereof;

c. The details of the procurement action to be taken; and

d. The envisaged result if the standard procurement procedure must be followed:

- The SCM Unit must evaluate and recommend each case and submit it to the BAC for adjudication. Thus the BAC approves the appropriate procurement process, the action to be taken and the recommendation to mitigate the urgency. The SCM Unit finalises the case.

- The SCM Unit must record such incidents for monthly reporting to the Accounting Officer.

e) Poor planning by the Units does not qualify to be an urgency.

7.13.8.2 Emergency procurement

a) Irrespective of monetary value, an emergency procurement process only applies in serious, unexpected and potentially dangerous circumstances that require immediate rectification:

i. In the event of a threat or interruption in SDM’s ability to execute its mandate; or

ii. In the event of an immediate threat to the environment or human safety.

b) The standard procurement processes may be by-passed. SDM may dispense with the invitation of bids and may obtain the requirement by means of quotations by preferably making use of the database of accredited prospective providers or otherwise in any manner to the best interest of SDM.

c) The appropriate course of action for emergency must be justifiable for the circumstances.

d) The nature of the emergency and the details of the justifiable procurement process followed must be recorded and reported.
i. When the user department identifies an emergency, it must endeavour to involve the SCM Unit, the Accounting Officer, or the CFO. The emergency must be certified by the Executive Director/Manager of the user department as an emergency and submitted to the SCM Unit for processing where possible.

ii. Where possible, the Head of SCM Unit must evaluate and recommend each case separately and submit it to the BAC for adjudication. Thus the BAC must approve the appropriate procurement process, the action to be taken and a recommendation to mitigate the emergency. The SCM Unit must finalise the case.

iii. In the event that it was not possible to liaise with the SCM Unit, the user department must, within 48 hours of such an emergency, inform the SCM Unit in writing of the following:
   - The nature of the emergency;
   - The date and time thereof;
   - The details of the procurement action taken;
   - The envisaged results if the standard procurement process had been followed; and
   - Should it not be possible to inform the SCM Unit within 48 hours, the Accounting Officer must be informed of this fact.

iv. As soon as the detail of the emergency procurement becomes available; the SCM Unit must forward the detail to the Accounting Officer for notification.

v. The SCM Unit must record such incidents for quarterly reporting to the Accounting Officer.

e) Poor planning by the Units does not qualify to be an emergency.

7.13.9 Unsolicited bids

a) In terms of Section 113 of the MFMA; SDM is not obliged to consider unsolicited bids received outside a normal bidding process. However if SDM decides to consider unsolicited bids, it may do so, only if:
   i. The product or service offered in terms of the bids is proven to be a unique innovative concept;
   ii. The product or service will be exceptionally beneficial to or have exceptional cost advantages for SDM;
   iii. The person who made the bid is the sole provider of the product or service; and
   iv. The reasons for not going through the normal biddings processes are found to be sound by the Accounting Officer.

b) If the Accounting Officer decides to consider an unsolicited bid, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with:
   i. Reasons as to why the bid should not be open to other competitors;
   ii. An explanation of the potential benefits if the unsolicited bid was accepted; and
   iii. An invitation to the public or other potential prospective providers to submit their comments within 30 working days of the notice.

c) All written comments received, including any responses from the unsolicited bidder, must be submitted to the National Treasury and the Gauteng Provincial Treasury for comment.

d) The relevant BAC must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.

e) A meeting of the BAC to consider an unsolicited bid must be open to the public.

f) When adjudicating the matter, the BAC must take into account:
   i. Any comments submitted by the public; and
ii. Any written comments and recommendations of the National Treasury or the Provincial Treasury.

g) 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 Gauteng Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.

h) Such submission must be made within 7 working days after the decision on the award of the unsolicited bid is taken, but no contract committing SDM to the bid may be entered into or signed within 30 working days of the submission.

7.13.10 The award of contracts

The BEC and the BAC for a specific requirement must be composed of different members duly appointed by the Accounting Officer to ensure that the supply chain acquisition process is transparently and fairly undertaken.

7.13.10.1 The authority of the award committees

a) The SCM Unit must present the recommendation report of the relevant evaluation committee to the adjudication committee for consideration.

b) Members of the BEC may be requested or opt to present their reports to the BAC and clarify any uncertainties.

c) The members of the BAC in their evaluation must assess if the followed procurement process is in line with the approved policy and procedures, that the evaluation is fair, sound justifiable and that the deal is acceptable and in the best interest of SDM.

d) The BAC must approve/reject the BEC recommendation(s) once they have complied with all prescribed requirements and are also satisfied with the process.

e) The Secretariat must facilitate any queries arising from the BAC.

f) The queries and answers as well as the decision of the BAC must be recorded in writing and signed by the Chairperson of the relevant BAC.

g) Where consensus cannot be reached between the members of the BEC and the BAC, the matter must be referred to the Accounting Officer for finalisation.

h) Where consensus cannot be reached between the members of the BAC, the matter must be referred to the Accounting Officer for finalization or by casting of votes.

i) The function must be carried out in line with the approved delegations and the roles and responsibilities of the various adjudication committees as outlined in the Section on Committee System.

j) The officials delegated for the adjudication function, must finalise the award and any decision regarding the adjudication and award of a contract is final.

k) Once approval has been granted, the SCM Unit must commence with the notification process as outlined in the Section on Notification of Bidding Results below.

l) The Legal and Support Services Department should on the other hand prepare the contractual documentation in line with the procedures outlined under the Section on Contract Management.

7.13.10.2 Approval of bids not recommended

a) The BAC may award a bid to a bidder that did not score the highest number of points based on reasonable and justifiable grounds. The following are examples of such cases:
i. The prospective provider, shareholder or any of its directors appear on the National Treasury’s
database of persons prohibited from doing business with the public sector/lost of Restricted
Providers;
ii. A provider whose name appears on the Register of Bid Defaulters;
iii. A provider who has been placed in to liquidation;
iv. Provider whose tax affairs are not in order;
v. Provider involved in proven bribery, fraud and corruption; and
vi. Provider who has not registered in accordance with statutory requirements.
b) If a BAC decides to award a bid to the recommended 2nd or 3rd scoring bidder not the highest and
recommended bidder, the BAC must notify the Accounting Officer who may ratify or reject the
decision of the BAC, after due consideration of the reasons for the deviation; prior to awarding the
bid.
c) If the decision of the BAC is rejected, the Accounting Officer may refer the decision back to that
Committee for reconsideration or conclude the matter.
d) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by
the BEC or the BAC back to that Committee for reconsideration of the recommendation.
e) When the BAC/Accounting Officer deviates from awarding a bid to the highest scoring bidder the
Auditor General, Gauteng Provincial Treasury, and National Treasury must be notified of the
reasons for deviating within 10 working days in terms of section 114 of the MFMA.
f) If the deviation was approved in order to rectify an irregularity it is not necessary to report the
deviation.

7.13.10.3 Awarding of contracts with a duration of 3 years or more

a) When adjudicating and awarding a contract which is likely to exceed 3 years; the following
stipulations of section 33 of the MFMA must be adhered to.
b) SDM may enter into a contract which will impose financial obligations on it beyond a financial
year i.e. 12 months, but if the contract will impose financial obligations on it beyond the 3 years
covered in its annual budget for that financial year, it may do so only if—
i. The Accounting Officer at least 60 days before the meeting of the Council at which the
contract is to be approved—
   • Shall, in accordance with section 21A of the Municipal Systems Act—
     ▪ make public the draft contract and an information statement summarising the
       SDM’s obligations in terms of the proposed contract; and
     ▪ invite the local community and other interested persons to submit comments or
       representations to SDM in respect of the proposed contract; and
   • Solicit the views and recommendations of—
     ▪ the National Treasury and the relevant provincial treasury;
     ▪ the national department responsible for local government; and
     ▪ if the contract involves the provision of water, sanitation, electricity, or any other
       service as may be prescribed, the responsible national department;
    ii. SDM’s Council must take into account—
     • SDM’s projected financial obligations in terms of the proposed contract for each
       financial year covered by the contract;
     • the impact of those financial obligations on SDM’s future municipal tariffs and revenue;
     • any comments or representations on the proposed contract received from the local
       community and other interested persons; and
any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph (a) above; and

iii. SDM’s Council shall adopt a resolution in which—

• it determines that SDM will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;
• it approves the entire contract exactly as it is to be executed; and
• it authorises the Accounting Officer to sign the contract on behalf of SDM.

c) The process set out in the preceding paragraph shall not apply to the following instances:

i. contracts for long-term debt regulated in terms of section 46 (3) of the MFMA;
ii. employment contracts;
iii. contracts for categories of goods as may be prescribed; or
iv. in terms of which the financial obligation on the municipality is below—

• a prescribed value; or
• a prescribed percentage of SDM’s approved budget for the year in which the contract is concluded.

7.13.10.4 Notification of bidding results

7.13.10.4.1 Publishing of bid results

a) The SCM Unit must publish the bid results in the media where bids were originally advertised i.e. SDM’s website, notice boards and the Government Bid Bulletin.

b) The following information on the successful bids must be published:

i. Name(s) of the successful bidder(s);
ii. Contract price(s);
iii. Contract number and description;
iv. Brand name(s) of the product, if applicable;
v. Delivery basis; and
vi. Preferences claimed, if applicable.

7.13.10.4.2 Informing the successful prospective providers

a) SCM Unit must notify the successful bidder in writing by registered or certified mail through a letter of acceptance signed by the relevant delegated authority of the acceptance of the bid within the original or extended validity period of the bid.

b) Where a successful bidder is telephonically notified, it must be confirmed in writing by the completion of the letter of acceptance.

c) The information of other prospective providers may not be disclosed to the successful bidder.

7.13.10.4.3 Informing the unsuccessful bidders

a) Once the successful bidder has been advised of the award, the SCM Unit must inform unsuccessful bidders in writing that their bids were unsuccessful and no reasons should be provided.

b) Any bidder must be provided with the reasons why the bid was unsuccessful only on the bidder’s written request. Thus based on request each bidder, is entitled to feedback concerning its own bid.

c) Once SDM receives a written request, it must furnish the bidder with the reasons why the bid was unsuccessful in writing. It is therefore imperative that proper reasons are recorded in the minutes of the BEC and BAC to enable SCM to provide the bidder with justifiable reasons.
7.13.10.4.4 Objections and complaints

a) Any bidder who is aggrieved by decisions or actions taken by SDM in the implementation of its SCM system, may lodge a written objection or complaint; within 14 days of being notified of the decision or action taken; to the CFO or Accounting Officer.

7.13.10.4.5 Resolution of disputes, objections, complaints and queries

a) The Accounting Officer/ his delegate must acknowledge receipt of such a dispute in writing.
b) The SCM Unit and the relevant user department must endeavor to resolve the matter within 60 days and where the resolution process is likely to exceed 60 days the bidder must be informed accordingly in writing prior to the expiry of the 60 days.
c) The Accounting Officer may appoint an independent and impartial person who is not directly involved in the SCM processes to:
   i. Assist in the resolution of the disputes between SDM and the bidder regarding any decision or actions taken; or any matter arising from a contract awarded in the course of the SCM system; and
   ii. Deal with objections, complaints or queries regarding any such decisions or actions.
d) The appointed independent person must strive to promptly resolve all matters and submit regular reports to the Accounting Officer on the status of all received, attended to and resolved disputes, objections, complaints or queries.
e) If the dispute, objection, complaint or query is not resolved or satisfactorily resolved within 60 days, the bidder may refer the matter to the Gauteng Provincial Treasury after consultation with the Accounting Officer/ his delegate.
f) If the Gauteng Provincial Treasury does not or cannot resolve the matter; the bidder may refer the dispute, objection, complaint or query to the National Treasury, the Public Protector or a court of law for resolution.

7.13.10.4.6 Access to information

a) All bidding information remains strictly confidential and none of the bidders’ information may be disclosed to any other bidder/ party without the bidders consent and unless required by law.

7.13.10.4.7 Disclosure of information

a) Bid documentation and information are not available for perusal by the public.
b) According to sections 36 and 63 of the Promotion of Access to Information Act, Act No 2 of 2000, a public body must refuse a request for access to a record of the body if the record contains:
   i. Trade secrets of a 3rd party;
   ii. Financial, commercial, scientific or technical information, other than trade secrets, of a 3rd party, the disclosure of which would be likely to cause harm to the commercial or financial interest of the 3rd party;
   iii. Information supplied in confidence by a 3rd party, the disclosure of which could reasonably be expected:
      • To put that 3rd party at a disadvantage in contractual or other negotiations;
      • To prejudice that 3rd party in commercial competition; and
      • Personal information about a 3rd party, including a deceased individual.
c) When divulging information, a balance must be stricken between one party’s right to access of information and the right to confidentiality of the other party.
d) Where no bid has been accepted, particulars of the bids received must not be made public.
c) The release or publication of the information may be withheld if the information:
   i. will impede law enforcement;
   ii. be contrary to the public interest;
   iii. harm the SDM’s legitimate interests; or
   iv. hinder fair competition between bidders by revealing any proprietary information of any
       bidder.

f) According to the prescripts of section 36 of the Promotion of Access to Information Act, No 2 of
   2000, no information may be disclosed that will prejudice a 3rd party in commercial competition.

g) Thus disclosing the itemised prices of unsuccessful prospective providers may reveal their trade
   secrets/strategies and such information must not be disclosed without the written consent of the
   relevant bidder(s).

7.13.11 The administration of contracts

7.13.11.1 Preparation and conclusion of contracts

a) The SCM Unit must finalise the adjudication by issuing the letter of acceptance, the contract form,
   including the service level agreement and formal contract, whichever is applicable.

b) SDM’s contract documents must be uniformly prepared for specific circumstances across SDM.

c) The acceptance of a successful bid must be in writing and must be sent by registered/certified
   mail/hand delivered or as indicated in a special condition; to confirm proof of delivery. Therefore,
   once the letter of acceptance has been sent, a contractual commitment has been made and it
   becomes effective. The relevant stamp date of the Post Office serves as proof of the time.

d) If the letter of acceptance is handed over, a mechanism of proof of delivery must be kept on file to
   ensure that it is properly documented and that a contractual commitment was established before the
   expiry of the validity period.

e) The contract must be concluded in writing and should stipulate the terms and conditions of the
   contract or agreement, that must include provisions providing for:
   i. The termination of the contract or agreement in the case of non- or underperformance;
   ii. Dispute resolution mechanisms to settle disputes between the parties;
   iii. A periodic review of the contract or agreement e.g. once every 3 years in the case of a contract
       or agreement for longer than 3 years; and
   iv. Any other matters that may be prescribed.

f) An official with the necessary delegated authority to contractually commit SDM must sign the
   letters of acceptance and contract form or other necessary documentation to commit SDM.

g) The official with the necessary delegated authority to commit SDM, must be satisfied that all the
   necessary contractual conditions have been included prior to signing.

h) A binding contract is concluded when a bidder’s offer is accepted unconditionally by SDM before
   the validity period has expired. By signing the letters of acceptance, the contract shall be
   concluded.

i) Caution must be exercised to ensure that letters of acceptance do not contain any conditions, or
   imply the acceptance of any conditions, that the relevant BAC has not approved as being part of
   the conditions of the contract to be concluded.

j) In the case of term contracts where a bigger number of items are involved, the contract circular
   drawn up, must be used as part of the letter of acceptance.

k) Any special conditions set by the bidder, that has not been withdrawn, as well as any special
   conditions, that were approved, must also be included in the letter of acceptance.

l) The contract documents must be prepared in triplicate and distributed as follows:
i. The successful bidder;  
ii. Legal department; and  
iii. Finance.

m) Both parties to the contract must sign the formal contract. If more than one company bids as a consortium/ joint venture, the letter of acceptance and the formal contract must be addressed to the company that signed the bid on behalf of the consortium/ joint venture.

n) The signing of the formal contract, where applicable, serves to enhance the contract established.

o) All correspondence, including letters of acceptance of bids, may be signed by the CFO/Head of SCM Unit on behalf of the Accounting Officer. This is an administrative arrangement and although the Accounting Officer accepts accountability for the contract, that is concluded, the signatory remains responsible for the contract and for the correctness of the data supplied.

p) Legal copies i.e. all contract agreements and other supporting documentation must be kept in a safe place for judicial reference.

q) The signed contract form must be accurate, impersonal, unambiguous, legible and complete.

r) The contract form, together with all the documents such as the specification, special conditions and GCC make up the full contract document; and serves as a basis for placing orders, the administration of contracts and the settlement of disputes.

s) Discounts must always be indicated in the contract form in order to ensure that SDM utilises such benefits.

t) Upon receipt of the duly signed contract or agreement, the official with the necessary delegated authority must complete and sign the order requisition form or other necessary documentation to commit SDM.

u) A copy of the letter of acceptance and a copy of the tax clearance certificate supplied by the contractor must be forwarded to SARS for control purposes at the following address:
   The Commissioner  
   South African Revenue Services  
   Private Bag X923  
   Pretoria  
   0001  
   Tel: (012) 422 4444  
   Fax: (012) 422 6843

7.13.11.2 Responsibilities

a) The Accounting Officer must take all reasonable steps to ensure that any SDM contract or agreement is concluded and properly enforced.

b) The Accounting Officer must also establish capacity to assist him in carrying out the duties of contract management; oversee the day-to-day management of the contract and submit regular reports to the Council on the management and performance of the contractor.

c) The administration of SDM contracts shall be done by the SCM Unit in conjunction with the Legal and Support Services Department and the relevant user department.

d) The nature of the responsibility will determine who manages the specific contractual aspect which falls within their scope of work. Thus each department shall at least perform the following functions:
   i. The Legal and Support Services Department shall be responsible for the drafting of the contract;
   ii. The SCM Unit shall be responsible for ensuring that for each awarded bid a contract is duly
concluded with the successful bidder;
iii. The user department shall be responsible for monitoring the performance of the contractor under the contract or agreement on a monthly basis; and submission of progress reports or billing information to Finance;
iv. The Finance department shall be responsible for ensuring that the committed contract obligations are honoured and that SDM complies with the following section 33 reporting requirements:

**Reporting in line with section 33 of the MFMA**

a) All contracts that impose financial obligations on SDM beyond the 3 years covered in its annual budget for that financial year and all other contracts —
   i. must be made available in their entirety to SDM’s Council; and
   ii. may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).

b) Paragraph (a) (i) does not apply to contracts in respect of which the financial obligation on SDM is below a prescribed value.

### 7.13.11.3 Types of contracts

#### 7.13.11.3.1 Formal contract

a) SDM shall conclude a formal contract when all parties concerned sign further documentation as an agreement in addition to the letter of acceptance and the contract form.

b) A formal contract must form part of the quotation/bid documents, if required to be signed; as it is normally additional to the task directive/specification or special conditions of the bid.

c) Should such a formal agreement contain conditions that were not approved by the Accounting Officer or his delegate, then such proposed formal contract must be submitted for approval prior to signature. Should the document contain new conditions, such conditions must be cleared with legal experts beforehand.

#### 7.13.11.3.2 Service level agreement

A service level agreement (SLA) is a document that defines the relationship between 2 parties, namely SDM and the contractor and it shall spell out goods, services and activities to be executed, due dates and timeframes.

#### 7.13.11.3.3 Contracts providing for compensation based on turnover

a) If a service provider acts on behalf of SDM to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is based on the amount collected, the contract between the services and SDM must stipulate:
   i. A cap on the compensation payable to the service provider; and
   ii. That such compensation must be performance based.

### 7.13.12 Time of conclusion of contracts

A contract must be concluded at the time that the letter of acceptance is posted even if the contract form and formal contract is only signed at a later date, unless stated otherwise in the quotation/bid documents.
7.13.12.1 Contract management

a) Contract management is the last stage of the acquisition process and shall include all administrative duties associated with initiation, performance, monitoring and conclusion of a contract.

b) Contract management shall include the following:
   
   i. All dealings between SDM and the contractor from the time the contract is awarded until the work has been completed and accepted or the termination of the contract, payments, and resolution of any disputes. Thus it is a process that ensures that SDM gets what it paid for.
   
   ii. Negotiation of the terms and conditions in contracts and ensure compliance with such terms and conditions.
   
   iii. Documentation and agreeing on any changes that may arise during the contract implementation or execution.

c) The SCM Unit and the specific user department must perform a periodic review of long-term contracts once every 3 years in the case of a contract or agreement for longer than 3 years and report accordingly.

7.13.12.2 Amendments to the contract or agreement documents

a) A contract or agreement may be amended by SDM and the relevant party(s), only after:

   i. It has been duly approved by the relevant BAC and/or the Accounting Officer;
   
   ii. The reasons for the proposed amendment have been tabled to SDM’s Council and/or local community (if applicable); and
   
   iii. Reasonable notice of the intention to amend the contract or agreement has been given to the local community and the consideration of the submitted community’s representations to SDM; applicable in contracts for longer than 3 years.

b) As soon as it becomes apparent to SDM that an amendment(s) to the contract is necessary, the contractor must be contacted immediately.

c) The proposed amendment(s) must be discussed with the contractor as well as what the rectification would entail so that the contractor may also understand and willingly consent to amendment(s).

d) SDM shall ensure that all contractual parties agree to the amendment in writing. No variation in or modification of the conditions of contract shall be made without all the parties signing the amendment.

e) Amendments may not materially alter the original objective; otherwise SDM shall call for a new bid invitation.

f) No contract may be amended after the original contract has ceased to exist.

g) Instance that may cause an existing contract to be amended may include the following:

   i. Amendments may arise when an item on contract is no longer available and another item has to be substituted;

   ii. When a contractor is no longer able to supply a contract item and offers a substitute that is more expensive, and the amendment is to the disadvantage of SDM, the Accounting Officer or his delegate must approve if the substitute item offers additional benefits which can be utilised by SDM and which justify the additional cost.

7.13.12.3 Prohibitions

a) It is not permissible to make any changes in the contract that would in aggregate increase the original amount of the contract by more than 15 percent, unless they are duly approved by the Accounting Officer or the relevant BAC.
b) When using consultants, SDM shall not grant any substantial extension of the stipulated time for
performance of the contract, agree to any substantial amendment of the scope of the services,
substitution of key staff or waive the conditions of a contract so at to avoid a competitive bidding
process.

7.13.12.4 Responsibility

a) The user department must complete and submit the request for amendment to the SCM Unit and
the SCM Unit should inform the contractor about the proposed amendment(s).
b) The SCM Unit must process the amendment and submit details of the amendment to the Legal and
Support Services Department and Finance (if applicable); once the contractor has consented to
such amendments.
c) The SCM Unit must involve the Legal and Support Services Department for the purpose of
drawing up the amendment, if required; and also facilitate the signing of the amendment by all
parties.
d) The SCM Unit must forward a signed copy to the user department, Legal and Support Services
Department and the contractor; and also file the original appropriately.
e) Should the contractor refuse to return the documentation to SDM, this fact as well as the reasons
must be recorded and submitted to the Accounting Officer indicating the effect that the non-
rectification will have on SDM financially and for service delivery.

7.13.12.5 Examples of circumstances warranting contract amendments

7.13.12.5.1 Increase/ decrease of quantities or range of services

a) Prior to inviting bids, SDM must ensure that the quantities / range of services required are reliably
determined to avoid/ minimize the need to amend quantities / range of services during the contract
period.
b) When amending quantities / range of services, SDM must ensure that there it reaches consensus
with the contractor without changing the unit price(s).
c) The contract shall cease to exist after the original or officially amended quantities / services, for
which the contract was arranged, have been fully delivered; and SDM shall not purchase further
items / services on that contract.

7.13.12.5.2 Extension of contract periods

a) The extension of a contract must be finalised before the expiry date of the contract.
b) Where prices are amended for the extended period, the reasonableness of the prices must be
established.
c) SDM must avoid extension of contract periods because it often leads to uncontrolled increases in
the contract prices.
d) Where justifiable reasons are provided for extending a contract, the relevant application may be
considered favourably and contractors may be approached with the request to indicate whether
they are prepared to extend the contract period.
e) The user department is responsible for ensuring that it timely informs the SCM Unit and Legal and
Support Services Department of the need to revise the current contracts.
f) The impact of the extension of contracts on the scheduling of other contracts must also be
considered.
g) If contractors are prepared to extend the contract period, but with amended price conditions, the reasonableness of the prices must be established and the proposed revised price(s) must be submitted for approval to the Accounting Officer or the relevant BAC.

h) Contracts shall not be extended beyond the period approved by the Accounting Officer or the relevant BAC.

7.13.12.5.3 Extension of delivery periods

a) Motivated applications for the extension of delivery periods in respect of ad hoc and specific term contracts may be considered favourably, but shall be subject to the restriction that no price adjustments, which arise during the extended period, will be considered.

b) Approval for extensions shall be done by the Accounting Officer or the relevant BAC.

c) Any price adjustments during the extended period may be considered favourably if SDM requested the extended delivery period, or when delayed deliveries are caused by the actions of SDM.

7.13.12.5.4 Amendment of contract conditions

a) Amendments may be considered on merit provided that they are in the best interest of SDM.

b) Amendments, that prejudice SDM, shall be agreed to only with the approval of the Accounting Officer or relevant BAC.

c) SDM should exercise extreme care when considering applications for the amendment of contract conditions received from contractors as they are usually to the contractor’s advantage.

7.13.12.5.5 Amendment of specifications

a) Where a binding contract has been concluded, an amendment of the specification whether initiated by the contractor or by SDM, may be made only after negotiation and duly approval of the Accounting Officer or the BAC.

b) Each case for the amendment of specifications must be dealt with on its own merits, especially as amendments may be required due to legislative changes in the specific environment.

c) When specifications are amended as a result of a mistake by SDM, SDM must consider the contractor’s right of recourse; and if possible it is essential that it reached a settlement with the contractor.

d) SDM shall consider the cost to the contractor when amending any contractual conditions.

7.13.12.5.6 Contractual price adjustments

a) SDM’s contractual conditions must stipulate the circumstances under which price adjustments will be considered, the intervals for adjustment, the base date for adjustments as well as the price adjustment formula and the process to be followed in such circumstances.

b) In cases of term contracts, price adjustments may be considered on a quarterly basis and for other contract on a yearly basis and this condition shall be indicated in the bid document.

c) SDM must consider contractual price adjustments in terms of the SCC, since the GCC do not cater for conditions pertaining to price increases.

d) SDM shall not consider any price adjustments for contracts with a period of 12 months or less.

e) SDM shall use the prescribed formula to calculate price adjustments as result of the fluctuation of the applicable indices as compiled by Statistics South Africa.

f) Contractor’s request for price adjustment must be sent to the SCM Unit for facilitation.

g) The SCM Unit must confirm that the request is in line with the contractual conditions and verify the calculations presented.
h) Once the request is accepted as correct and duly approved by the Accounting Officer or the relevant BAC, the SCM Unit must inform the contractor in writing and also inform the user department and the finance department of the approved amendment.

i) The SCM Unit must file the amendment with the original contract and a copy sent to the Legal department, user and finance departments.

j) The following shall apply:
   i. Firm prices for purchases
      If the contract is awarded on the basis of firm prices, and during the contract period –
      • A customs or excise duty or any other duty, levy or tax (excluding any anti-dumping and countervailing duties or similar duties), is introduced in terms of any Act or regulation, or
      • Any such duty, levy or tax is legally changed or abolished; the said prices must be adjusted accordingly.

ii. Non-firm prices for purchases
   If any factors which demonstrably have an influence on the production cost of the goods or the rendering cost of the service for which they were proposed on the basis of non-firm prices, price adjustments that become effective during the contract period, may be allowed with effect from the date indicated in the bid document.

iii. Period for claims
   • The adjustment in price shall cover only the period between the closing date of a bid and the final delivery date in terms of the contract.
   • Claims against SDM must be proven to the satisfaction of the SCM Unit as soon as possible.

iv. Price adjustments due to escalation
   • In some instances particularly for contracts exceeding 12 months it might be in the best interest of SDM to allow price adjustments based on escalation.
   • SDM shall carefully do a cost/benefit analysis of all factors that influence the adjusted price, including the cost for the additional administrative work to determine if allowing the adjustment is the best option.
   • If the BSC resolves to allow price escalation as part of the contract, this should be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments shall be considered.
      • The following formula must be used to calculate price adjustments:

\[
P_a = (1 - V)P_t \left( D_1 \frac{R_{1t}}{R_{1o}} + D_2 \frac{R_{2t}}{R_{2o}} + D_n \frac{R_{nt}}{R_{no}} \right) + V P_t
\]

Where:

• \( P_a \) = the new escalated price to be calculated.

• \((1-V)P_t = 85\% \) of the original bid price. Note that \( P_t \) must always be the original bid price and not an escalated price.
• D1, D2 = each factor of the bid price e.g. labour, transport, clothing, footwear, etc. The total of the various factors D1, D2…etc. must add up to 100%.

• R1, R2t = Index figure obtained from new index (depends on the number of factors used).

• R1o, R2o = Index figure at time of bidding.

• VPt = 15% of the original bid price. This portion of the bid price remains firm i.e. it is not subject to any price escalations.

v. Price adjustments due to fluctuation in the rate of exchange (ROE)

- Rate of exchange claims relate to the fluctuation of other currencies in relation to the South African rand.
- Rate of Exchange (ROE) fluctuations must not be allowed if the tenure of a contract is less than 12 months.
- The price adjustments based on ROE fluctuations, shall only be allowed on the imported contents of the commodity to meet only the contractor’s additional costs of the imported content.
- Where the whole or a portion of the bidding price may be affected by the revaluation of currencies or any fluctuation in the ROE, the bidder shall, in accordance with the bidding requirements, state in the bid the amount to be paid in foreign currencies or to be remitted abroad, as well as the rate of exchange applied in the conversion of that amount into South African currency in calculating the bid price.
- All rate of exchange claims must be accompanied by proof from the bank of the existing exchange rate. It must be noted that price adjustments due to the fluctuation in the rate of exchange (ROE) must indicate the dates and period of affect issued by the Reserve Bank of South Africa at 12:00 of the specified date.
- Contact details of the Reserve Bank:
  Tel: (012) 313 3911 / 313 3194 / 3929
  Website: http://www.resbank.co.za
- SDM should decide on who should take responsibility for any absorption of the fluctuation of a currency and this decision shall be similar to a decision of allocating risk. In this regard, SDM may consider the following 2 extreme possibilities:
  o The provider bears all the risk and it is prescribed that the price will be fixed for the tenure of the contract, irrespective of the fluctuation of the currency. In such a case the provider is free to arrange forward cover and / or to increase his price at bidding stage to cater for any fluctuation, thereby taking the risk of not being the successful bidder. Whatever route the provider opts to follow, it will in all probability lead to an increase in price at the original bidding stage. This might lead to a situation that right at the commencement of the contract, SDM will be obliged to pay more for the product than the retail price to the general public; or
SDM may absorb the risk and providers may bid using firm prices, subject to ROE variation. In such cases the provider(s) may apply for price increases / decreases when the currency fluctuates in relation to the agreed currency. Should this option be utilised SDM should be mindful of the fact that the prices are not always adjusted when the rand appreciates; and it will be of vital importance that the Accounting Officer or the relevant BAC ensures that prices are adjusted for the benefit of SDM.

7.13.12.5.7 Non-contractual price adjustments

a) Non-contractual adjustment of prices shall not be allowed.
b) Where contractors suffer a loss as a result of their own negligence, price adjustments not covered by the contract must not be favourably considered.
c) Where a contractor suffers loss as a result of circumstances beyond his control, or as a result of incorrect action by SDM and particularly when such loss might cause its downfall, non-contractual price adjustments may be considered by SDM.
d) Any non-contractual price adjustment must only be approved by the Accounting Officer or the relevant BAC.

7.13.12.5.8 Reduction of prices

SDM must accept price reductions after award of a contract where this is to its advantage, unless the acceptance of the price reduction shall amount to a breach of contract.

7.13.12.6 Monitoring of contracts

a) The Accounting Officer or delegate must monitor the performance of the contractor under the contract or agreement on a monthly basis.
b) The Accounting officer must regularly report to the Council on the management of the contract or agreement and the performance of the contractor.
c) The user department and SCM shall monitor on a monthly basis the performance of the contractor under the contract or agreement and report to the Accounting Officer or his delegate and Council accordingly.
d) The SCM Unit is responsible for notifying the user department timely of term contract expiry that will allow the user department sufficient time to decide whether to renew the contract.
e) The user department must ensure that the contractor performs according to the stipulations of the contract in delivering the goods and services on time, in the correct quantity and to the required standard.
f) Regular meetings with contractors to discuss progress, deliverables, foreseeable problems and/or amendments must be held during the contract period.

7.13.12.7 Inspection of goods and services

a) Inspections must be carried out on any items the BSC considers to be necessary as indicated in the concluded contract.
b) Where relevant, bidding documents, contract forms, contract circulars or orders must specify details of the relevant certifying agency e.g. SABS, SANAS, etc to carry out any inspections.
c) When orders are placed and inspection must take place before consignment, SCM Unit must send a copy of the order to the relevant recognised authority, requesting for an inspection to be carried out.
d) In the event where a consignment fails the tests conducted by the certifying agency, the SCM Unit, the relevant BAC and the provider should be informed accordingly.

e) Where a contract is awarded on the grounds of evaluation of a representative sample, the SCM Unit and the user department shall keep such a sample for the duration of the contract period, as a contract sample.

f) Where contract samples are kept, the SCM Unit and the user department shall compare all deliveries with it in order to ensure that the quality does not deteriorate; and where the delivery differs with the contract sample, the consignment must be rejected and the contractor requested to remove and replace it immediately.

7.13.12.8 Testing costs

a) All pre-bid testing costs shall be for the account of the bidder.

b) The costs of testing in connection with specific term contracts and ad hoc contracts may be the responsibility of SDM.

c) The contractor shall incur the costs for consignments or samples that fail the compliance tests.

d) Where specific accreditation certificates are requested as a condition in a bid invitation, the bid document shall indicate that any costs incurred by the bidder in relation to the request shall be for the bidder’s account.

7.13.12.9 Exclusions

a) SDM may incur non-contractual purchases only if the following applies:
   i. Small quantities of supplies or minor services may be procured outside of the contract in the following circumstances:
      • In cases of emergency;
      • When the contractor's point of supply is not situated at or near the place where the supply or service is required; or
      • If the contractor's supplies or services are not readily available.
   ii. Purchases outside the contract must be restricted to requirements that are absolutely necessary to satisfy the immediate requirement and the action must always be justifiable against the contract conditions.
   iii. Acquisitioning procedures must in all instances be followed when procuring outside of existing contracts.

b) SDM must include these aspects in the GCC.

7.13.12.10 Payments

a) SDM must not make a pre-payment or advance payment for goods and services (i.e. payments in advance of the receipt of the goods and services), unless required by the contractual conditions.

b) Where a contractor requires an advance payment or a progress payment and this is not a contract condition, payment may be made only with the prior approval of the Accounting Officer, the relevant user department and the CFO.

c) Finance shall keep a detailed list of all payments made in advance.

d) Finance shall only make payments after the delivery or rendering of goods and services in accordance with the contract conditions.
7.13.12.11 Transfer of contract payments

a) Transfer of payments may be considered in cases where a contractor makes application on an official letter duly signed by the contractor or any other authorised person; that monies due to the contractor be paid to another person or organisation, such as a bank or provider of materials.
b) Great caution must be used in dealing with such applications. When the request is received from a contractor's provider, bank, attorney or any other organisation, the user department must obtain prior written confirmation from the contractor.
c) After approval has been received for the transfer of the payments, Finance must be informed of the new payment requirements and requested to make payments accordingly.
d) SCM must advise the contractor that any receipt issued by the transferee will serve as proof of payment of the amount concerned to the contractor.
e) Contract payments may be transferred on the recommendation of SCM and the approval of the relevant BAC only.
f) In the case of certain commodities and services, such as rented equipment, transfer of payment may be required where the contract has been discounted to a bank by the contractor, and if this is done without the knowledge or approval of SDM; this shall constitute a breach of contract and SDM must not be compelled to honour such a transfer of payment.
g) When a request to transfer payment is received from another person or organisation and SDM cannot favourably consider it; written confirmation must be obtained from the contractor.
h) Every application must be dealt with on its own merits.
i) Favourable consideration shall result only where the circumstances are not to the detriment of SDM.

7.13.12.12 Discounts on invoices

a) Orders must at all times be placed in accordance with the contract conditions, i.e. non-contractual discounts must not be taken into consideration when placing orders.
b) In cases where a discount is not a contract condition and a contractor indicates a discount on his invoice e.g. discounts offered for early settlement of the provider’s invoice, SDM must utilize the specified discount.
c) Where the award was made to a contractor who offered discounts, the user department, SCM and Finance must check that the contractor’s invoice take that into account

7.13.12.13 Over-/under deliveries

a) SDM may accept over deliveries in accordance with the relevant BAC or Accounting Officer’s and user department’s approval; and must also be pre-approved by the CFO prior to acceptance.
b) Large volumes of over-deliveries may be accepted, provided the discount to be received for the said volumes has been satisfactorily negotiated with the provider.
c) Under deliveries must not be accepted unless a proper motivation is submitted by the user department to the Accounting Officer/CFO/ Head of SCM Unit.

7.13.12.14 Insolvency, liquidation, death, sequestration or judicial management of contractors

a) Insolvency or bankruptcy is described as the failure/inability of the contractor to meet its financial obligations. An act of insolvency is any of the 8 actions as described in the Insolvency Act whereby a guilty party may be subjected to sequestration.
   i. Sequestration occurs when an insolvent debtor’s estate is placed in the hands of the Master,
where the Master decides on the estate and thereafter it rests with the trustee that distributes
the assets (money) among the creditors or, secondly where the court determines insolvency.
ii. Liquidation is described as the act of determining and settling/winding up the liabilities of a
firm or an estate and to mete out the assets to creditors or inheritors.
iii. Judicial management is the temporary management of a company, in a state of financial
difficulty, by a judicial/legal manager appointed by the court to rectify the matter.
b) When the estate of a contractor is liquidated for whatever reason during the contract period, SDM
must obtain legal counsel to determine whether to claim against the estate or not. SDM shall
assess the various risks and consider the option with the lowest level of risk.
c) SDM must consider the options specified in the GCC in cases of insolvency.
d) If a firm or person contracted to SDM is liquidated and cannot further honour the contractual
commitment; that must be regarded as a breach of contract. In this instance SDM may give the
provisional liquidator or administrator the choice of carrying out the contract or not; and where the
response is negative SDM may register a provisional claim against the contractor’s estate. SDM
should consider all the financial implications in making such a decision.
e) When SDM institutes a claim, the Legal and Support Services Department must ensure that a
procuration is signed appointing the liquidator to act on behalf of SDM.

7.13.12.15 Transfer/cession of contracts

a) SDM’s contractual conditions must stipulate the conditions under which transfers/cessions may be
considered and the process to be followed in such circumstance.
b) To protect SDM, no more than 70% of a contract can be subjected to cessions.
c) The SCM Unit in conjunction with the user department must deal with transfers/cessions.
d) Applications for the transfer/cession of contracts must be completed and signed by both the
transferor (contractor) and the transferee (SDM) and countersigned by 2 witnesses.
   i. Full reasons for the transferring of the contract must be provided and the transferee's ability
to carry out the contract must be established and reported to the Accounting Officer or his
delegate.
   ii. Unless it is otherwise in the best interest of SDM, the transfer must not be approved if SDM
would suffer a loss as a result thereof or if there is an increased risk to SDM.
   iii. Should the contract be transferred to another provider, SDM should check whether the
number of preference points scored is less than that scored by the original contractor. Thus
it should be indicated if the transfer would have had an influence on the original award of
the contract. However the circumstances leading to the transfer must be pointed out and
taken into consideration.
e) When the contractor raises the issue of transfer/cession with the user department it must be done in
writing and the user department must comment of the viability of the transfer/cession and submit
the request to the SCM Unit.
f) If the transfer/cession is viewed unfavourably for a justifiable reason, the SCM Unit must inform
the contractor of the decision in writing and provide the user and Legal departments with copies of
the correspondence for filing purposes.
g) If the transfer/cession is viewed favourably, the SCM Unit must involve the Legal expert for the
purpose of drawing up the transfer/cession documentation. The SCM Unit must facilitate the
signing of the transfer/cession by all parties, forward a copy to the user department and the
contractor and also file the original signed transfer/cession documentation appropriately.
7.13.12.16 Unsatisfactory performance

The Accounting Officer or his delegate shall continuously communicate unsatisfactory performance to contractors in writing compelling the contractor to perform according to the contract and thus to rectify or to restrain from unacceptable actions.

7.13.12.16.1 The role of SDM

a) Unsatisfactory performance occurs when performance is not in accordance with the contractual conditions. In such cases SDM shall consider directives included in the GCC.
b) The user department must timely identify unsatisfactory performance in terms of the contract.
c) The SCM Unit must, in consultation with the user department and Legal and Support Services Department if required, bring unsatisfactory performance to the attention of the contractor in writing. Also apply the audi alteram partem rule in the management of unsatisfactory performance.
d) The SCM Unit must give notice to the contractor of action to be taken in line with the contract due to non-performance.
e) If the performance is not rectified, the user department must inform the SCM Unit of this fact.
f) Before action is taken in terms of the GCC or any other Special Contract Condition, if applicable, SDM must warn the contractor by registered mail that action will be taken in accordance with the contract conditions unless the contractor complies with the contract conditions and delivers satisfactory supplies or services within a specified reasonable time.
g) If the contractor still does not perform satisfactorily despite a final warning, the SCM Unit may make a recommendation to the Accounting Officer or the relevant BAC for the appropriate penalties to be introduced or make a recommendation to the Accounting Officer for the cancellation of the contract concerned.
h) When correspondence is addressed to the contractor, reference must be made to the contract number, the item number and the number and date of any relevant invoice, statement or letter received from the contractor. Otherwise the number and date of the order, a short description of the supply or service and details of the destination if applicable, must be supplied.
i) When SDM has to engage another provider for the same contract (for the contractor's expense), the loss to SDM must always be restricted to the minimum since it is difficult to justify the recovery of unreasonable additional costs from the contractor.

7.13.12.16.2 Restriction

a) SDM may in terms of section 38 (g) of the MFMA Regulations:
   i. Reject the bid of any bidder if that bidder, or any of its directors-
      • Has abused SDM’s SCM system;
      • Has committed fraud or any other improper conduct in relation to such system;
      • Has been convicted for fraud or corruption during the past 5 years;
      • Has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past 5 years; or
      • Has been listed in the Register of Bid Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004).
   ii. Must inform the National Treasury of any action taken in terms of the aforementioned paragraph.
b) In terms of the Prevention and Combating of Corrupt Activities Act, only the National Treasury is
empowered to impose restrictions on Providers that were found guilty by a court of law for criminal offences related to public sector bids.

c) Section 38 (g) of the MFMA allows SDM to restrict or refuse bids as stated in paragraph a) above without the restriction being placed by a court of law.

d) When considering restriction as per paragraph c), the Accounting Officer must in writing inform the National Treasury and the Gauteng Provincial Treasury of such action.

e) When placing a restriction SDM must ensure that it complies with the prescribed procedures to prevent/avoid instances where the court may invalidate the action because SDM has not given the contractor a reasonable time to defend his case, or has not been fully informed of the results of his failure to react. It is also possible that, where contradictions or ambiguities exist, the court will give the benefit of the doubt to the persons or organisations against whom a restriction has been imposed and may pass judgement in their favour.

7.13.12.16.3 The role of National Treasury

a) National Treasury upon confirming the validity of the reported provider cases, shall list the contractor including its directors in their database of restricted persons, prohibited from doing business with the public sector.

b) National Treasury must establish a mechanism to receive and consider complaints regarding alleged non-compliance with the prescribed norms and standards; and make recommendations for remedial actions to be taken if non-compliance of any norms and standards is established, including recommendations of criminal steps to be taken in the case of corruption, fraud or other criminal offences.

7.13.12.17 Claims against cartage contractors

a) Where contracts are concluded on the basis of "F.O.R. despatch station", consignments, when delivered at the final destination or taken into receipt at the receiving station, must be carefully inspected. If there are no external signs of damage and the quantities are correct, SDM may sign the documents as acknowledgement of receipt.

b) If the external condition indicates that the consignment might be damaged or if the description on the delivery document differs from the order, SDM must immediately inform the cartage contractor. The cartage contractor must then inspect the consignment and if he is responsible for any damage, he must honour a claim for damage compensation. If the cartage contractor denies responsibility and rejects a claim because the consignment was not properly packed, a claim must immediately be submitted to the contractor responsible for packing.

c) Where contracts are concluded on the basis of "F.O.R. "delivered into stores", the contractor shall be responsible for shortages, damage or loss, and any claims must be initiated without delay if consignments show signs of damage or the number of containers is not correct on receipt.

d) SCM Unit must receive goods and check the contents to establish if the delivery agrees with the order i.e. quantities, condition, mass, etc. and if necessary initiate any claims without delay.

7.13.12.18 Late deliveries

a) The GCC must state that delivery of supplies must be made in accordance with the conditions specified in the contract.

b) Before SDM institute action against a contractor that has offered a firm delivery period due to late delivery, the circumstances under which the late delivery took place must be investigated. There
may be valid reasons for the late delivery that are beyond the control of the contractor, in which case action shall not be taken summarily against the contractor.

7.14 OBJECTIONS AND COMPLAINTS

Any bidder who is aggrieved by decisions or actions taken by SDM in the implementation of its SCM system, may lodge a written objection or complaint; within 14 days of the decision or action taken; to the CFO or Accounting Officer.

7.14.1 Resolution of disputes, objections, complaints and queries

a) The CFO or Accounting Officer must acknowledge receipt of such a dispute in writing.
b) The SCM Unit and the relevant user department must endeavor to resolve the matter within 60 days and where the resolution process is likely to exceed 60 days the bidder must be informed accordingly in writing prior to the expiry of the 60 days.
c) The Accounting Officer may appoint an independent and impartial person who is not directly involved in the SCM processes to:
   i. Assist in the resolution of the disputes between SDM and the bidder regarding any decision or actions taken; or any matter arising from a contract awarded in the course of the SCM system.
   ii. Deal with objections, complaints or queries regarding any such decisions or actions

d) The appointed independent person must strive to promptly resolve all matters and submit regular reports to the Accounting Officer on the status of all received, attended to and resolved disputes, objections, complaints or queries.

e) If the dispute, objection, complaint or query is not resolved or satisfactorily resolved within 60 days, the bidder may refer the matter to the Gauteng Provincial Treasury after consultation with the Accounting Officer/CFO.
f) If the Gauteng Provincial Treasury does not or cannot resolve the matter; the bidder may refer the dispute, objection, complaint or query to the National Treasury, the Public Protector or a court of law for resolution.
g) These measures must not be read as affecting the complainant’s rights to approach a court at any time.

7.15 INDUCEMENTS, REWARDS, GIFTS AND FAVOURS

a) No person who is a provider of goods and services or prospective provider of goods and services to SDM, or a recipient or prospective recipient of goods disposed, or to be disposed of, by SDM, may either directly or through a representative or intermediary promise, offer or grant any reward, gift, favour or hospitality to:
   i. Any official of SDM;
   ii. Any other role player involved in the implementation of the SCM policy of SDM.
   iii. Any inducement or reward to SDM for or in connection with the award of a contract.
b) All SCM officials and role players must ensure that officials do not compromise the credibility or integrity of the SCM system through the acceptance of gifts or hospitality or any other act.
c) SDM must keep a register of gifts.
d) Gifts above a value of R350 must be approved for acceptance at the level stipulated in the delegation of authority.
e) The Accounting Officer must promptly report any alleged contravention 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.

7.16 SPONSORSHIPS

a) The Accounting Officer must promptly disclose to the National Treasury and the Provincial Treasury any sponsorship promised, offered or granted to SDM, whether directly or through a representative or intermediary, by any person who is:
   i. A provider of goods and services or prospective provider of goods and services to SDM; and
   ii. A recipient or prospective recipient of goods disposed, or to be disposed of, by SDM.

7.17 PUBLIC PRIVATE PARTNERSHIPS (PPP’S)

Municipal Services Partnerships including Public Private Partnerships for goods, works and services must be executed in terms of Part 2 of chapter 11 of the MFMA.

7.18 PROPER RECORD KEEPING

7.18.1 General

a) In order to maintain a proper audit trail, all SCM documents must be filed in line with SDM’s filing system.

b) Both policies and procedures manually and electronically generated documents are to be filed in line with the relevant policies e.g. IT; and in an orderly manner.

c) A register of all standard documents must be kept by the SCM Unit

7.18.2 Types of records to be kept

7.18.2.1 Record of verbal and written quotations and formal written quotations

<table>
<thead>
<tr>
<th>Requested Information</th>
<th>Written quotations</th>
<th>Formal written price quotations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.  Date of the request received by the SCM Unit.</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2.  Particulars of end-user, contact person and telephone number.</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3.  Requisition number.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>4.  Description of the requirement.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>5.  Estimated value of the requirement.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>6.  Registration number of the provider where applicable.</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>7.  Names and contact details of accredited prospective providers contacted.</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>8.  BEE categorisation status and HDI status</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9.  Price of quotes received.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>10. HDI equity points, points for goals, points for price and functionality must be indicated separately.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Requested Information</td>
<td>Written quotations</td>
<td>Formal written price quotations</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>11. Total points scored.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>12. Name of the successful provider.</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>13. Tax clearance certificate</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>14. Date of approval and the name and rank of the person/s that granted the approval.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>15. Satisfactory/non-satisfactory completion of the service or delivery of the goods.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>16. Rotation indicator on database of accredited prospective providers.</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>17. All inscriptions must be numbered.</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

**7.18.2.2 List of bid documents issued**

a) Bid reference number.
b) Type of services or goods required
c) Names and addresses of prospective providers that requested documentation.
d) All inscriptions must be numbered.

**7.18.2.3 Registers/Lists**

a) Advertisements
b) Sale of bids
c) Accredited service Providers
d) Attendance register
e) Bid receipts
f) Evaluation criteria
g) Awarded contracts
h) Non/under-performing service providers
i) Contracts
j) SCM deviations
k) Complaints received from prospective providers
l) Declaration of interest
m) Sponsorships, gifts and donations received & made
n) Fraud and corruption cases
o) Irregular, fruitless and wasteful expenditure
p) SCM circulars and memorandums issued by SDM

**7.18.2.4 Information contained in the bidding documents**

a) Bid number.
b) Description of the requirement.
c) Names of prospective providers received.
d) Particulars of end-user, contact person and telephone number.
e) Date of advertisement.
f) Date of advertisement for the extension of the closing date.
g) Closing date.
h) Extended closing date.
i) Validity period.
j) Extended validity period.
k) Total number of bids received.
l) Late bids received, where applicable.
m) Name of successful bidder.
n) Tax clearance certificate.
o) Price of the successful bid.
p) Points of the successful bid, received for price, functionality, equity and goals are to be indicated separately.
q) BEE categorisation status and HDI status.
r) Total points scored by the successful bidder.
s) Date of approval and the name of the body that granted the approval.
t) Date contract form is signed.
u) Satisfactory/non-satisfactory completion of the service or delivery of the goods.
v) Cancellation of bid or the cancellation of contracts, where applicable. Particulars must include the reason for the cancellation, the date of approval, the name and rank of the person/body that granted the approval and the delegation number.
w) All inscriptions must be numbered.

7.18.2.5 Specific information to be included in Contracts

a) Bid number.
b) Description of the requirement.
c) Names of prospective providers received.
d) Contract term.
e) Particulars of end-user, contract person and telephone number.
f) Date of advertisement.
g) Date of advertisement for the extension of the closing date.
h) Closing date.
i) Extended closing date.
j) Validity period.
k) Extended validity period.
l) Total of bids received.
m) Late bids received, where applicable.
n) Name of successful bidder.
o) Tax clearance certificate.
p) Price of the successful bid.
q) Points of the successful bid, received for price, functionality, equity and goals are to be indicated separately.
r) BEE categorisation status and HDI status.
s) Total points scored by the successful bidder.
t) Date of approval and the name of the body that granted the approval.
u) Delegation number.
v) Date of contract form signed.
w) Satisfactory/non-satisfactory completion of the service or delivery of the goods.
x) Cancellation of bid or the cancellation of contracts, where applicable. Particulars are to include the reason for the cancellation, the date of approval, the name and rank of the person/body that granted the approval and the delegation number.
y) All inscriptions must be numbered.

**7.18.2.6 Specific information to be included for SCM deviations**

a) Urgency and emergency procurement
   i. Reference number.
   ii. Description.
   iii. Nature and the details of the urgency or emergency process followed.
   iv. Particulars of person or body that granted the approval.
   v. Date of approval.
   vi. Delegation number.
   viii. All inscriptions must be numbered.
b) All other deviation processes
   i. Details of the deviation
   ii. Reasons therefore

**7.18.2.7 Specific information to be included for complaints received from prospective providers or contractors**

a) Date of complaint received
b) Name of company or person complaining
c) Reference of bid number
d) Description
e) Details of complaint
f) Action taken including the relevant dates
g) Date of finalisation
h) All inscriptions must be numbered

**7.18.2.8 Specific information to be included for declaration of interest**

a) Name of official or member that has an interest to declare
b) Nature of the interest declared

**7.18.2.9 Specific information to be included for sponsorships, gifts and donations received and made**

a) Name of official that received the sponsorship, gift and donation
b) Name of organisation/person who made the sponsorship, gift and donation
c) Description of the sponsorship, gift and donation
d) Estimated value of the sponsorship, gift and donation
e) Assets must be numbered
f) This record must preferably be in hard copy format

**7.18.2.10 Specific information to be included for instances of fraud or corruption**

This record reflects the instances of fraud or corruption that occurred including fraud or corruption by government officials, prospective providers, contractors or any other legal person/entity. This record
will reflect all actions taken in this regard which may include the involvement of the South African Police Service.

7.18.2.11 Specific information to be included for irregular, fruitless and wasteful expenditure

a) Date of request received.
b) Description.
c) Particulars of end-user, contact person and telephone number.
d) Details of irregular, fruitless and wasteful expenditure.
e) Action taken.
f) Date finalised.
g) Financial implication.
h) All inscriptions must be numbered.

7.18.2.12 SCM circulars and memorandums issued by SDM

a) Circular/Memorandum number.
b) Description.
c) Name of the approving official
d) Date on which the circular was distributed to end-users.
e) Date of confirmation of receipt of the circular.
f) All inscriptions must be numbered.

Where possible standard documents containing the aforementioned information; should be prepared in order to ensure that keeping of records is not a cumbersome process. Thus a standard document should be designed in such a way that it consolidates several information in 1 document.
8. LOGISTICS MANAGEMENT

8.1 INTRODUCTION

8.1.1 This activity within the SCM cycles pertains, among others, to the following:
   a) Coding of items;
   b) Setting of inventory levels;
   c) Placing of orders;
   d) Receiving and distribution;
   e) Stores/warehouse management;
   f) Expediting orders;
   g) Transport management; and
   h) Vendor performance.

8.1.2 For fixed capital items (construction and road projects, immovable property) a similar process, mutates mutandis has to be adopted, i.e. appropriate classification, additions to asset and property register, valuation, main use, etc.

8.1.3 This process should activate the financial system to generate payments.

8.1.4 The aspect of coding, levels of required inventories, etc. should not be dealt with in isolation by the Accounting Officer.

8.1.5 Throughout it is government’s objective that the same coding and other support systems be used.

8.2 PURPOSE OF HOLDING INVENTORY

8.2.1 SDM shall hold inventory in stores for the following reasons:
   a) Bulk buying that affords SDM to receive discount i.e. economies of scale
   b) Avoids delivery delays
   c) It provides protection from uncertainties in demand and order cycle.
   d) It acts as a buffer between critical interfaces within the channel of distribution.

8.3 TYPES OF INVENTORY

8.3.1 Inventories may be categorised into the following types:
   a) **Cycle inventory**
   Cycle inventory is inventory that results from the replenishment process (acquisition management) and is required in order to meet demand under conditions of certainty.
   b) **In-transit inventories**
   In-transit inventories are items that are en route from the provider to the end-user.
   c) **Safety inventory**
   Safety inventory is held in excess of cycle inventory because of uncertainty in demand or lead time.
   d) **Dead inventory**
   Dead inventory is the set of items for which no demand has been registered for some period of time.
8.4 RESPONSIBILITY
8.4.1 The Finance department shall be responsible for the management of stores and not SCM Unit to ensure proper segregation of duties

8.5 CODING OF ITEMS
8.5.1 All stores, items or services received must be accounted for and each item must be allocated a unique inventory number.
8.5.2 Unique numbers may be allocated per the category or group of items e.g.
   a) Category A - consumable stores;
  b) Category B – stationery; and
  c) Category C – spare parts;
  d) Category D - maintenance material; and
  e) Category E - other items
8.5.3 After coding each inventory item, that item must be recorded in the inventory cards, inventory register and the accounting system
8.5.4 Information to be contained in the register:
   a) Date of purchase
  b) Description of the item
  c) Cost price
  d) Quantities

8.6 ACCOUNTING
8.6.1 Accounting treatment for inventories should be done in accordance with GRAP 12 Standard of Generally Recognised Accounting Practice Inventories.
8.6.2 A primary issue in accounting for inventories is the amount of cost to be recognised as an asset and carried forward until the related revenues are recognised.
8.6.3 The Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.
8.6.4 The following 2 methods of accounting for inventory may be used to measure the cost of inventory that will be recognized in the accounting system:
   a) First-in, first out (FIFO)
       Under this method of valuing inventory, items acquired earliest are assumed to be used first, leaving inventory acquired more recently in inventory.
   b) Last-in, first out (LIFO)
       Under this method of valuing inventory, the most recently acquired items are assumed to be issued first, leaving items acquired in the earliest time period in inventory.

8.7 SETTING INVENTORY LEVELS
8.7.1 Due to prolonged lead times, or because of a need to keep specific items in inventory, the following should be determined in order to automate the ordering process:
   a) Which items and quantities thereof to be kept in inventory;
   b) Minimum/maximum levels to be kept in inventory based on consumption figures or inputs from users; and
   c) Allowing for a safety margin (±20%) to be added to the minimum level to cover unforeseen circumstances.
8.7.2  *Note:* The concept of just-in-time delivery should be considered; as such arrangements may minimise the cost of storage and sharing of risks.

8.7.3  **Inventory management under conditions of uncertainty**

8.7.3.1  **Economic order quantity (EOQ)**

a) The economic order quantity model may be used to minimise the total of inventory carrying and ordering costs.

b) By determining the EOQ and dividing the annual demand by it, the frequency and size of the order that will minimise the two costs are identified.

8.7.4  **Inventory management under uncertainty**

a) The uncertainties associated with demand and lead time cause the logistics department to concentrate on when to order rather than on the order quantity.

b) The following 2 methods may be used for inventory control under conditions of uncertainty:

   i.  **Fixed order point, fixed order quantity methods**

   With this method, an order is placed when the inventory on hand and on order reaches a predetermined minimum level required to satisfy demand during the order cycle. The economic order quantity will be ordered whenever demand drops the inventory level to the reorder point.

   ii.  **Fixed order interval method**

   This method compares current inventory with forecast demand, and places an order for the necessary quantity at a regular, specified time.

8.7.5  **Inventory levels**

8.7.5.1  In keeping inventory SDM must always be mindful of the very high cost of carrying inventory when taking such decisions. Thus in instances where inventory should be held in store, the inventory levels must be determined with care.

8.7.5.2  In setting inventory levels the following have to be determined:

   a) Maximum levels.

   b) Minimum levels.

   c) Reorder point.

   d) Safety inventory.

8.7.5.3  When to order is solved by determining the reorder point or minimum level.

8.7.5.4  The reorder point is the minimum amount needed for demand during replenishment time (lead time).

8.7.5.5  The re-order point is the daily demand times the replenishment time.

8.7.5.6  In setting lead or replenishment time the following factors may have an effect and should always be considered:

   a) Transit times.

   b) If an item has to be produced or manufactured when ordered.

   c) The possibility of goods being damaged or lost in transit.

8.7.5.7  To provide for these factors it is necessary to have safety inventory.

8.7.5.8  It is however important not to keep too much safety inventory on hand because it results in excess inventory cost.

8.7.5.9  The difference between the maximum level and the reorder point is equal to the economic order quantity.

8.7.5.10  The reorder point equals the minimum level plus the safety inventory.
8.7.5.11 Calculating safety inventory

a) In calculating safety inventory levels it is necessary to consider the joint impact of demand and replenishment cycle variability.

8.7.5.12 Calculating fill rates

a) The fill rate represents the percentage of units demanded that are on hand to fill end-users’ needs.

8.7.5.13 Managing inventory carrying costs

a) SDM should determine its own logistics costs and strive to minimise the total of these costs, given its customer service objectives.
b) Inventory carrying costs should include only those costs that vary with the quantity of inventory and that can be categorised into the following groups:
   i. Capital costs;
   ii. Inventory service costs;
   iii. Storage space costs; and
   iv. Inventory risk costs.

8.7.5.14 Forecasting

a) Forecasting of inventory levels should be done since it drives logistics information system planning and coordination. A forecast is a projection or prediction of the volume or number of units that will likely be demanded.
b) The logistics department should ensure that forecasts are accurately done in order to allow for smooth resource demands and to minimise expensive spikes in both capacity and inventory.
c) Forecasting increases logistics effectiveness by enabling exchange and coordination of information rather than inventory.
d) In order to achieve supply chain integration, it is obvious that a common forecast should drive all activities.

8.7.5.15 ABC-Analysis

a) The ABC-analysis is a method for deciding which items should be considered for centralised warehousing.
b) The ABC-analysis may be used as a tool for control. The objective is to identify the items that contribute the most to overall use and value, the A-items.
c) For A-items, a daily or continuous review of inventory status might be appropriate. B-items should be reviewed weekly, while C-items should receive the least attention. The “dead” items should be eliminated from the inventory.

8.7.6 Ordering

a) An order should be placed either when a pre-determined inventory level for inventory items is reached or when a request is received from the user department, which is not held in inventory.
b) The order administration process begins with the receipt of a correctly completed procurement file and ends with the delivery of the correct goods and services in the correct quantity/quality at the right place at the right time.
8.7.6.1 Order Processing

a) Orders shall be placed upon the receipt of the appropriate SCM documents and may be placed under the following circumstances:
   i. *Contract Purchase*
      Where a contract exists, orders should be placed for the item from the contract.
   ii. *Price Quotation / Competitive Bidding Method*
      Where there is no contract, the price quotation or competitive bidding method of ordering should be applied within delegated authority.

b) The following are the steps to be followed in placing orders:
   i. Receipt of the appropriate and duly approved procurement documents;
   ii. Capturing of the information on the IQUAL system;
   iii. Printing of the order in triplicate;
   iv. Approval of the order;
   v. Distribution of the copies of the order to Finance and Logistics departments; and
   vi. Control of orders.

8.7.6.2 Approval of the order

a) No amendments may be done directly on the order forms. Only the logistics official/s who have been duly authorised thereto in writing may sign orders.

b) The logistics official must ensure that the word “duplicate” on the corrected order is cancelled and replaced by the word “corrected”.

8.7.6.3 Distribution of orders

a) Each department must maintain a register of those orders created to satisfy its needs.

b) The copies of each order must be distributed as follows:
   i. Original copy to the provider.
   ii. Copies of the order are distributed as follows:
      • Finance department;
      • Logistics department; and
      • Retained on file by the ordering department.

8.7.6.4 Amendment of an order

a) Circumstances may arise necessitating the need to amend an order.

b) These circumstances may affect the specific items ordered, the specification of the items, the order quantity, the delivery period, the points of delivery, the packaging or even the delivery intervals in the case where partial deliveries have been specified.

c) Each case must be dealt with on its own merit and in terms of the applicable contracts/terms of reference.

d) Amendments to an order may be initiated by either the provider or the relevant department.

e) All amendments must be duly approved by the Head of the user department and the Head of SCM Unit.

8.7.6.5 Cancellation of an order

a) Under certain circumstances it may be necessary to cancel an order and this must be dealt with in terms of the applicable contract/terms of reference and all the relevant parties must be involved, including SDM’s legal advisors.
b) Prior approval of the relevant BAC may have to be obtained before an order may be cancelled.
c) In cases where an order has been approved for cancellation due to valid reasons, all copies of an order must be reclaimed and marked “CANCELLED”.
d) An affidavit/report stating the reasons for the cancellation must be attached to the order.
e) The provider must be informed in writing of the reasons, without elaboration, for the cancellation of the order.

8.7.6.6 Used order forms

a) Completed, finalised and cancelled order forms must be kept safely and disposed of after the prescribed period has lapsed.
b) Damaged order forms must be kept for a period of 2 months before they may be destroyed.
c) In the event that duplicate or additional copies of orders are required for administrative purposes, photocopies must be made to obtain these additional copies. Such copies must be certified as such in accordance with the prescribed procedure.

8.7.6.7 Control of orders

a) An order register must be kept to ensure proper control of orders.

8.7.7 Vendor/Provider Management

8.7.7.1 The reliability of the provider should be monitored in terms of, among others:
   a) Delivery periods;
   b) Quality; and
   c) Quantity.

8.7.7.2 Should problems be encountered, they should be followed up with the vendor and, if it is a contract item, it should also be reported to the department that arranged the contract.

8.7.7.3 In addition vendor management should be executed in terms of the Section on Contract Administration.

8.7.8 Stores / Warehouse Management

8.7.8.1 General management of a store/warehouse

a) The role of a store in the logistics system is as follows:
   i. To take delivery of goods from transit;
   ii. Transfer of goods to a specific location;
   iii. Consolidation of transportation - the store can fulfil a major role in the consolidation of smaller shipments into 1 large shipment, resulting in significant savings on cost of transport.
   iv. Combination of specific goods on order;
   v. Shipment of goods to chief users;
   vi. Mixing - stores may perform product mixing for different chief users;
   vii. Service - the availability of goods in a store when receiving orders will invariably result in chief users satisfaction; and
   viii. Contingencies - another role performed by stores is to safeguard against contingencies of various natures e.g. delays in transport, stock outs, strikes, etc.
8.7.8.2 General guidelines on the protection aspects of goods

a) Hazardous material such as explosives, flammable items and oxidising items must be separated from other items to eliminate the possibility of damage.
b) Products requiring special security precautions must be properly safeguarded against pilferage.
c) Items requiring physical supervision such as refrigeration, heat, etc. must be properly accommodated according to their specific requirements.
d) Lightweight or fragile items should be treated with all necessary precaution especially when stored or stocked near other items that could cause them damage.
e) Sufficient ventilation and lighting are essential.
f) BIN cards must be maintained and the accounting system ledgers updated accordingly.
g) All containers (holders) in respect of which a refundable deposit has been paid must be accounted for.
h) All poison containers, full, partially full or empty must be clearly labelled.
i) Fire safety measures including all precautionary measures shall be taken in order to protect lives, preserve property and to prevent, locate and extinguish fires.

8.7.8.3 Expediting of orders

a) If the delivery conditions reflected on the order form are not complied with, it should be followed up with the provider immediately.

8.7.8.4 Receiving of items

a) All goods received should be verified for quality and quantity against the ordering documentation.
b) A Goods Received Note (GRN) should be issued for all inventory receipts.
c) Items must be properly marked/ tagged prior to shelving and the BIN cards must be accordingly amended.
d) Items that can be marked should not be marked in such a way as to shorten its durability or to render it unsightly.
e) Inventory items that may be damaged by the marking process should not be marked and the case should be referred to the Head of SCM Unit for a decision.
f) The municipal ownership mark must be applied in such a way as to make erasure thereof difficult.
g) The information on the BIN cards shall be used to update the accounting system ledgers accordingly.
h) It is recommended that a receipt voucher be generated for payment purposes.

8.7.8.5 Storage

a) SDM’s legal stipulations and safety regulations should be complied with when items are being stored, e.g. flammables, poison, explosives, ammunition, weapons, etc.
b) An effective item location system should be utilized.
c) Shelf-life of inventory should be taken into consideration.
d) Inventory and equipment should be stored properly and arranged in such a manner that the checking and handling thereof are being facilitated and the possibility of damage, exposure, deterioration and perishing thereof is limited or eliminated.
e) A proper register of all the applicable assets, or groups of assets of SDM should be maintained by the Accounting Officer.
8.7.8.6 Issuing/Distribution of Items

a) A Goods Issue Note (GIN) should be generated for all goods issued.
b) Goods should only be released upon the submission of a duly approved order requisition.
c) Consumable items should not be recorded after issue.
d) Non-consumable items should be recorded from receipt to disposal.
e) SCM officials should ensure that goods are delivered promptly to the end-user.

8.7.8.7 Inventory Counts

a) Inventory counts of all inventory and capital assets shall be conducted at least once a year.
b) This procedure entails the comparison of assets counted with BIN cards, assets registers and accounting system ledgers.
c) Inventory counts must be done to determine if the quantities of the physical stores, equipment and assets correspond with the balances as indicated on main and distribution ledgers.
d) Reports on the findings and requests for approval of discrepancies must be submitted to the Council for approval.
e) All the approved discrepancies should be recorded in the accounting system.

8.7.8.7.1 Procedures for inventory counting

a) The following functions should be allocated for inventory counts:
   i. Determination of an inventory count programme;
   ii. Ensuring that all accounting transactions have been finalized;
   iii. Provision of lists of all main and subsidiary ledger accounts to be verified;
   iv. Performance of an inventory count on stores;
   v. Performance of an inventory count on inventories subsidiary accounts;
   vi. Comparison of totals of physical inventory with ledger balances;
   vii. Investigation of all the discrepancies;
   viii. Making adjustments by completing an inventory adjustment form;
   ix. Completion of inventory count report; and
   x. Obtaining of authority for adjustments.

8.7.8.7.2 Assigning of responsibility

a) A senior officer must be appointed as the counting officer and his functions should inter alia include the following:
   i. Determine an inventory count programme;
   ii. Ensure that all accounting transactions have been finalized;
   iii. Appoint inventory count teams;
   iv. Coordinate inventory count activities at storerooms and inventories at all levels within SDM;
   v. Deal with discrepancies by ensuring investigation of the causes; and
   vi. Prepare and submit reports to the CFO and the Accounting Officer.

8.7.8.7.3 Inventory count teams

a) Teams must be appointed to do inventory counts at storerooms and on inventories.
b) Internal Audit must be involved in this activity and the external audit must also be invited to observe the process.
c) The functions of the inventory count team should inter alia include the following:
i. Execution of the inventory count programme;
ii. Ensuring that all accounting transactions have been finalized;
iii. Obtaining lists of all main and subsidiary ledger accounts to be verified;
iv. Performing inventory count on storeroom;
v. Do inventory count on inventories (distribution) accounts;
vi. Compare totals of physical inventory with ledger balances;
vii. Deal with discrepancies by investigating the causes; and
viii. Make adjustments by completing an inventory adjustment form.
d) Complete inventory count report for submission and approval.

8.7.8.8 Asset management

a) Asset management must at all times take place in accordance with this SCM Policies and Procedures Manual and the approved fixed assets policy.
b) This section relates to the management of movable and immovable assets other than inventory, as it has been dealt with in the preceding sections.

8.7.8.8.1 Asset records

a) A distribution register must be kept in order to determine which asset record holders have been issued with a specific item and also the total number of items issued.
b) Asset controllers and asset record holders must be appointed in writing and provided with duty sheets, by the Accounting Officer.

8.7.8.8.2 General asset management controls

a) Segregation of duties
The segregation of duties for control purposes should always apply.
b) Delegations
The officials working in the asset management department of logistics must have delegated powers and duties and be provided with a duty sheet.
c) Functions of the asset management section
The following functions should be managed by the asset management section:
a) Keeping of asset records – the following are some of the registers that must be kept by the asset management department:
   i. Asset records (normal);
   ii. Personnel asset records – for officials who have been granted permission to utilise their own assets for official purposes; and
   iii. Inventory list.
b) Creation of asset records;
c) Decreases/increases in items on asset record (issues and receipts);
d) Transfer/handing over of assets on internal requisition form;
e) Dealing with discrepancies, surpluses, unserviceable and obsolete items, etc.;
f) Repair and maintenance of items on asset record;
g) Preparation in respect of a disposal action;
h) Handling of asset records;
i) Manage handing and taking over between asset record holders; and
j) Changing of asset bar coding numbers.
d) **Management of asset records**  
   a) All assets must be recorded in the asset register.
   
   b) The following are the type of assets found in SDM:
      i. Computer equipment;
      ii. Computer software;
      iii. Office furniture;
      iv. Cellphones; and
      v. IT hardware equipment e.g. servers.
   
   c) Any amendments without appropriate approval on the assets register are strictly disallowed.
   
   d) Officials in direct control of stores and equipment must verify these items quarterly and any surpluses/deficiencies which determined must be reported to the supervisors, in writing.
   
   e) Nil returns must be submitted, if applicable.

**8.7.8.9 Transport Management**

a) Transport management must at all times take place in accordance with the Fleet Management Policy and Procedures Manual.

**8.7.8.10 Accounts Payable**

a) The relevant documentation should be submitted promptly for payment to avoid interest charges.

**8.7.8.11 Losses/Surpluses**

a) The Accounting Officer shall ensure that, among others, the following preventative mechanisms are in place to eliminate theft, losses, wastage and misuse of assets:
   i. All damages to and losses of assets are accounted for;
   ii. Damages and losses are investigated with a view to possible recovery; and
   iii. Surpluses are recognised and recorded as assets immediately.
9. DISPOSAL MANAGEMENT

a) Disposal is the final process when SDM needs to do away with unserviceable, redundant or obsolete movable/immovable assets.

b) Disposal of any capital assets must be done in accordance with sections 14 and 90 of the MFMA.

c) Immovable property must only be sold at market related prices except when the public interest or the plight of the poor demands otherwise.

d) Moveable assets may be sold either by way of written price quotations, a competitive bidding process, and auction or at market related prices, whichever is the most advantageous to SDM.

e) A disposal strategy shall establish the rationale for, the anticipated time and method of, and the expected proceeds on, disposal. The strategy must be reviewed and refined, if necessary, prior to disposal, to take the following into account:

9.1 METHODS OF DISPOSAL

9.1.1 The following are the various methods of disposal which SDM may engage:

a) Sell the asset, per price quotation, competitive bids or auction; whichever is most advantageous to SDM, unless determined otherwise by the National Treasury. SDM should adhere to requirements as prescribed in Regulations 5 and 6 of the Preferential Procurement Regulations, 2001;

b) Transfer the asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;

c) Transfer the asset to another organ of state at market related value or, when appropriate, free of charge;

d) Donation;

e) Letting of assets;

f) Destroy the asset; and

g) Trade in the asset for another similar/dissimilar asset. In this instance SDM must ensure that the highest possible trade-in price is negotiated.

9.1.2 SDM should involve professional valuations, where deemed necessary as they play an important role in asset disposal. If required, valuations must be obtained from experienced agents who have knowledge of the type of asset(s) for sale and the current market trends.

9.1.3 The valuators may help the Accounting Officer/ his delegate to select the most appropriate selling method and set realistic expectations for the sale.

9.1.4 The SCM Unit must in relation to the sale or other disposal methods of assets, ensure that:

a) Bid documentation comply with the criteria prescribed in terms of the PPPFA.

b) Immovable property is sold at market related prices, unless the National Treasury determines otherwise.

c) Movable assets are sold either by way of a bidding process, auction or at market related prices, whichever is the most advantageous to SDM.

9.2 DISPOSAL DECISION

9.2.1 SDM shall make asset disposal decisions within an integrated, service and financial planning framework; and such decisions must consider the following to guide if there is a need to dispose:
a) If the asset is obsolete;
b) If the asset is unserviceable;
c) If the asset is reached its useful life and cannot be re-used; and
d) If the asset is redundant or expired.

9.2.2 Before deciding on a particular disposal method, the following should be taken into consideration:
   a) The nature of the asset;
   b) Its potential market value;
   c) Other intrinsic value of the asset;
   d) Its location;
   e) Its volume;
   f) Its trade-in value;
   g) Its ability to support other programmes;
   h) Environmental considerations;
   i) Market conditions; and
   j) The asset’s lifetime.

9.3 DISPOSAL OF CAPITAL ASSETS

9.3.1 SDM may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

9.3.2 If SDM transfers ownership or otherwise dispose of a capital asset, it may do so on condition that:
   Municipal council, in a meeting open to the public:
   a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services;
   b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset; and
   c) Approves the transaction after consideration of any comments from the public.

9.3.3 SDM must exercise extreme care in taking the above decision since such a decision by its Council may not be reversed after that asset has been sold, transferred or otherwise disposed of.

9.3.4 SDM’s Council may delegate its power to decide on the reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and the consideration of the fair market value of the asset and the economic and community value to be received in exchange for the asset; to the Accounting Officer in respect of movable capital assets below a value determined by the Council.

9.3.5 Any transfer of ownership of a capital asset must be fair, equitable, transparent, competitive and consistent with SDM’s SCM Policy and Procedures Manual.

9.3.6 The above stipulations do not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.

9.3.7 The Accounting Officer shall appoint members of a Disposal Committee to deal with disposals and to make recommendations with regard to the disposal of any asset.

9.3.8 It is the responsibility of the Accounting Officer or his delegate to consider the recommendation of the appointed committee.
9.3.9 If disposal of any asset is approved, any of the methods indicated below may, among others, be followed:
   a) Transfer to another municipality / municipal entity at market related value or when appropriate free of charge;
   b) Sell per price quotation, competitive bid or auction, whichever is most advantageous to the municipality / municipal entity;
   c) Donate to non-profit organisation; or
   d) Destroy such assets.

9.3.10 Should the sale of the movable assets not be at market related value, by price quotation, competitive bid or auction, the reasons for the disposal in such a manner should be motivated, certified and recorded for auditing purposes by the Accounting Officer or his delegate.

9.3.11 All assets transferred to another municipality / municipal entity should be by means of an issue voucher.

9.3.12 Firearms may not be sold or donated to any person or municipality / municipal entity within or outside the RSA without the approval of the National Conventional Arms Control Committee. Their contact address is:
   Directorate: Conventional Arms Control Defence Secretariat
   Department of Defence
   Private Bag X910
   Pretoria
   0001
   Tel (012) 355 6223
   Fax (012) 355 6274

9.3.13 In cases where stores (inventory) items or capital assets are traded in for other assets, the highest possible trade-in price is to be negotiated. The order placed should be for the net amount, as charged against the budget/vote. The actual value of the new item should, however, be reflected in the asset register.

9.3.14 **Calculation of preferential points**

9.3.14.1 The 80/20 preference point system for the sale and letting of assets

   a) The following formula must be used to calculate the points for price in respect of bids with a Rand value equal to, or above R 30 000 and up to a Rand value of R500 000 and which relate to the sale and letting of assets.

   b) Organs of State may, however, apply this formula for sales and letting of assets with a rand value less than R30 000, if and when appropriate:

   \[
   Ps = 80(1 - \frac{Pt - Ph}{Ph})
   \]

   Where
   \(Ps\) = Points scored for price of bid under consideration
   \(Pt\) = Rand value of bid under consideration
   \(Ph\) = Rand value of highest acceptable bid
a) A maximum of 20 points may be awarded to a bidder for being an HDI and / or subcontracting with an HDI and / or achieving any of the specified goals stipulated in regulation 17.
b) The points scored by a bidder in respect of the specific goals must be added to the points scored for price.
c) Only the bidder with the highest number of points scored may be selected.

9.3.14.2 The 90/10 preference point system for the sale and letting of assets

a) The following formula must be used to calculate the points for price in respect of bids with a Rand value above R500 000 and which relate to the sale and letting of assets:

\[ P_s = 90(1 - \frac{P_t - P_h}{P_h}) \]

Where

\( P_s = \) Points scored for price of bid under consideration
\( P_t = \) Rand value of bid under consideration
\( P_h = \) Rand value of highest acceptable bid

a) A maximum of 10 points may be awarded to a bidder for being an HDI and / or subcontracting with an HDI and / or achieving any of the specified goals stipulated in regulation 17.
b) The points scored by a bidder in respect of the specific goals must be added to the points scored for price.
c) Only the bid with the highest number of points scored may be selected.

9.3.14.3 Stipulation of preference point system to be used

a) SDM must, in the bid documents, stipulate the preference point system which will be applied in the adjudication of bids.

9.3.14.4 Evaluation of bids on functionality and price

a) SDM must, in the bid documents, indicate if, in respect of a particular bid invitation, bids will be evaluated on functionality and price.
b) The total combined points allowed for functionality and price may, in respect of bids with an estimated Rand value equal to, or below, R500 000, not exceed 80 points.
c) The total combined points allowed for functionality and price may, in respect of bids with an estimated Rand value above R500 000, not exceed 90 points.
d) When evaluating the bids contemplated in this item, the points for functionality must be calculated for each individual bidder.
e) The conditions of bid may stipulate that a bidder must score a specified minimum number of points for functionality to qualify for further adjudication.
f) The points for price, in respect of a bid which has scored the specified number of points contemplated in sub-regulation (5) of the PPPFA Regulations must, subject to the application of the evaluation system for functionality and price contemplated in this regulation, be established separately and be calculated in accordance with the provisions of regulations 3 and 4.
g) Preferences for being an HDI and / or subcontracting with an HDI and / or achieving specified goals must be calculated separately and must be added to the points scored for functionality and price.
h) Only the bid with the highest number of points scored may be selected.
10. RISK MANAGEMENT

a) Risk management is a structured approach to manage uncertainty related to a threat, through a sequence of human activities including: risk assessment, strategies development to manage it, and mitigation of risk using managerial resources.

b) The strategies may include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk.

c) The objective of risk management is therefore to reduce different risks related to SDM’s SCM system to an acceptable level.

d) It may refer to numerous types of threats caused by environment, legislation, technology, humans, organisations and politics.

e) In terms of the MFMA the Accounting Officer must ensure that SDM has and maintains an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM system.

f) The Accounting Officer has delegated risk management on SCM to the CFO, the SCM officials, internal auditors and the Audit Committee, each of which shall ultimately be accountable to him or the Council for the discharge of their responsibilities.

g) Risk management shall provide for an effective system of identifying, considering and avoiding potential risks in SDM’s SCM systems.

h) The management of risk shall form part of the philosophy, practices and business plans of SDM and should not be viewed as a separate activity.

i) Risk Management is a continuous and proactive process that relates to all organisational activities at all levels and all SCM officials must have a thorough understanding of the risks involved in the activities under their control and actively and pro-actively work towards managing these risks. Thus each official has a responsibility toward risk management.

10.1 RISK MANAGEMENT PROCESSES

10.1.1 Risk management involves an assessment of a product, business or process by:

a) Identifying the processes;

b) Identifying the types of risks associated with each process;

c) Identifying the controls associated with each process;

d) Evaluating the adequacy of the system of control in mitigating risk;

e) Determining the key controls associated with each process;

f) Determining the effectiveness of the key controls;

g) Deciding on an acceptable level of loss or degree of failure;

h) Deciding how to manage/minimise/mitigate the risk; and

i) Monitoring, reporting and from time to time re-assessing the level and implications of the risk exposure.

10.1.2 Application of risk management in SCM

a) The Accounting Officer or his delegate must determine SDM’s risk tolerance/attitude.

b) Risks must be identified upfront on a case-by-case basis.

c) Risks must be allocated to the party best suited to manage such risks.
d) SDM must accept the cost of risks where the cost of transferring the risk is greater than that of retaining such risk and it must transfer the risk where this is not the case.
e) SDM must pro-actively manage risks and provide for adequate cover for residual risks.
f) The bid and contract documentation must clearly and unambiguously state to whom the risk has been allocated and who should take responsibility for managing it.
g) Risk management decisions must continuously involve a cost-benefit analysis (considerations of economy) i.e. the cost of controlling (minimising) a risk must not exceed the benefits.
h) The controlling (minimising) of risks requires that SDM maintains an effective system of internal controls.
i) Risk management entails, inter alia, a management culture that accepts that all business opportunities entail risk taking. The trade-off between success and failure and to decide what is an acceptable risk (having regard to its cost and other social or political factors) that a programme might not achieve any or all of its objectives.
j) A major component of risk management is the establishment of a fraud prevention plan, by the Internal Audit Unit in order to manage the risk of fraud through cost-effective use of the control environment, information systems, control procedures and an ethical culture within SDM.
k) The processes to be followed should ensure that irregular, fruitless and wasteful expenditure, and other losses are prevented.
l) Bid and contract documentation must clearly and unambiguously assign relative risks to the relevant bidding and contracting parties.

10.1.3 Risk management measures

10.1.3.1 The following are some of the various ways which SDM may consider in managing its risk exposure:

10.1.3.1.1 Warranties

a) If, during the warranty period, goods do not comply with the requirements because of faulty material used during manufacture, or faulty finishing, or any deficiency, latent or otherwise, the contractor must be requested without delay, by registered mail, to replace or repair the goods depending on the circumstances.
b) Supplies replaced or repaired or services rendered must be warranted for the same period as the original supplies or services as stipulated in the GCC.
c) If rejected supplies are in the possession of SDM, the contractor must be requested to indicate, within a given time limit, how these are to be disposed of and warned that if there is no reaction to the request, the supplies will be returned "railage to pay".
d) If the request is ignored SDM must act accordingly.

10.1.3.1.2 Penalties for late delivery

a) Penalties are not intended as a source of income for SDM, but serve as an incentive to the contractor to perform within the contractual conditions.
b) Circumstances exist where penalties cannot be imposed summarily. Late deliveries must, however, be thoroughly investigated and action taken where necessary. Therefore, SDM shall have discretionary powers in this respect.
c) Where an unreasonable delay occurs, SDM must address a written warning to the contractor by registered mail, setting a cut-off date (usually 3 weeks from date of warning) and warn that the penalty clause will be applied if the order is not executed before the cut-off date.
d) If the warning is unheeded, the penalty clause must be applied and the action reported to the Accounting Officer.

e) Where firm delivery periods are applicable and late delivery occurs, penalties do not have to be imposed where SDM suffered no damage, loss or inconvenience.

f) In the following cases penalties for late delivery must be imposed:
   i. Where deliveries within a particular time period (service) were a specific contract condition and where delays caused serious damage, loss or inconvenience to SDM.
   ii. Where a firm delivery period (supply) was a contract condition and where delays caused serious damage, loss or inconvenience to SDM.

g) Penalties shall be imposed on the outstanding portion of the order only if beneficial use of the completed portion of the supply or service is possible. Otherwise penalties shall be imposed on the full value of the order.

h) Penalties shall be calculated as from the contractual date of delivery or such extended delivery date mutually agreed to in writing by the contracting parties.

i) Contractors may appeal against the deduction of monies in respect of penalties, or the initiation of claims as a result of late deliveries.

j) The contractor may escalate the case where agreement cannot be reached between SDM and himself.

k) If a contractor successfully appeals against the deduction of monies as a penalty, such monies must be repaid without delay, normally in 30 days.

10.1.3.1.3 Legal remedies in the case of incorrect preferences

a) If a contractor wins a contract on the basis of wrong information supplied regarding the preferences claimed, and it is later discovered that the information was incorrect, then the Accounting Officer has the power to:
   i. Recover any costs or damage which SDM might have suffered as a result of the conclusion of the contract;
   ii. Terminate the contract and recover any loss that SDM may suffer as a result of having to make less favourable arrangements; and/or
   iii. Deduct from the contract price, as a penalty, a sum calculated on the delivered price of the delayed goods or unperformed services using the current prime interest rate calculated for each day of the delay until actual delivery or performance. A written notice to the effect must be issued to the contractor by registered mail.

b) The National Treasury must be informed when such cases are exposed so that they may decide on suitable action.

10.1.3.1.4 Termination of a contract

a) SDM must cancel a contract awarded to a contractor:
   i. If the contractor committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract.
   ii. If any official or other role player committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract that benefited the contractor.

b) Termination of a contract may be considered for a variety of reasons, as stipulated in the GCC, such as delayed deliveries, failing to perform any other contractual obligation or if the contractor has engaged in corrupt and fraudulent practices and insolvency.

c) Contract termination may be effected if allowed for in the contractual conditions and if both parties agree to the termination in writing.
d) Contract termination required by SDM due to non-rectified breach of contract or corruption, must always be initiated by the SCM Unit in consultation with the user department and legal assistance where required.

c) The SCM Unit must forward a notice of termination to the contractor and the user department must be kept informed of the actions taken.

f) If the contractor does not agree with the termination, the case must be handed over for legal assistance.

g) Termination of a contract is usually detrimental; therefore SDM must give serious thought to the grounds for considering termination; and solicit beforehand whether the contractor will have a claim against SDM or not, and if so, whether termination can be justified. If termination is finally decided upon, the matter must be explained fully in a memorandum to the Accounting Officer and the following must be addressed:

   i. The arrangements to be made for completing the contract;

   ii. Whether additional costs will be recovered from the contractor;

   iii. If the additional costs cannot be determined precisely, a careful estimate must be made and mentioned in the submission to the Accounting Officer; and

   iv. Any claim for the recovery of additional costs must be limited to the minimum actual amounts. Therefore, in such cases, SDM cannot summarily authorise purchasing to the best advantage of SDM, since this might prejudice the recovery of the additional costs from the original contractor. There may be other avenues of action, which might result in lower additional costs; such as:

   - the possibility of considering the next lowest acceptable bid received in response to the particular bid invitation, for acceptance.
   - Concluding a new contract through the normal bid procedures. In this process, account must be taken of the time elapsed between the closing of a bid and the cancellation of the contract and the effect of the cancellation on SDM’s project schedules.

10.1.3.2 Management of losses and claims

10.1.3.2.1 Insurance

The Accounting Officer may (if deemed economical and based on a risk assessment) insure motor vehicles, including hired vehicles, or such other movable assets determined by the relevant treasury, but the insurance premium cost may not exceed R250 000 a year.

10.1.3.2.2 Claims against SDM through acts or omissions

   • SDM may accept liability for any loss or damage suffered by another person, which arose from an act or omission of an official as a claim against it and does not recover compensation from an official, provided the official shall forfeit this cover if he, with regard to the act or omission, is liable in law and –

   a) Intentionally exceeded his powers;

   b) Made use of alcohol or drugs;

   c) Did not act in the course and scope of his employment;

   d) Acted recklessly or intentionally;

   e) Without prior consultation with the State Attorney/ any legal representative, made an admission that was detrimental to the State; or
f) Failed to comply with or ignored standing instructions, of which he was aware of or could reasonably have been aware of, which led to the loss, damage or reason for the claim, excluding damage arising from the use of SDM’s vehicle; and


g) In the case of a loss, damage or claim arising from the use of SDM’s vehicle, the official –

i. used the vehicle without authorisation;

ii. did not possess a valid driver’s licence or other appropriate licence;

iii. did not use the vehicle in the interest of SDM;

iv. allowed unauthorised persons to handle the vehicle; or

v. deviated materially from the official journey or route without prior authorisation.

• If in doubt, the Accounting Officer must consult the legal and support services of SDM.

• Where an official has forfeited his cover in terms of the preceding paragraph, the amount paid by SDM for the loss, damage or claim arising from an act or omission must be recovered from the official concerned.

• The legal and support services of SDM may only commit/obligate SDM’s funds with the prior written approval of the Accounting Officer.

10.1.3.2.3 Claims by SDM against other persons

• If SDM suffers a loss or damage and the other person denies liability, the Accounting Officer must, if deemed economical, refer the matter to the legal and support services of SDM for legal action, including the recovery of the value of the loss or damage.

10.1.3.2.4 Claims by officials against SDM

• If an official sustains a loss or damage in the execution of official duties and is not compensated, the Accounting Officer may make good the loss or damage provided that the official can prove such loss or damage.

10.1.3.2.5 Losses or damages through criminal acts or omissions

• When it appears that SDM has suffered losses or damages through criminal acts or possible criminal acts or omissions, the matter must be reported, in writing, to the Accounting Officer and the South African Police Service. If liability can be determined, the Accounting Officer must recover the value of the loss or damage from the person responsible.

• The Accounting Officer may write off losses or damages arising from criminal acts or omissions if, after a thorough investigation, it is found that the loss or damage is irrecoverable.

• When movable assets are written off, this must be noted in the asset register.

10.1.3.2.6 Losses and damages through viz major and other unavoidable causes

• The Accounting Officer may write off losses and damages that result from viz major and other unavoidable causes.

10.1.3.2.7 Losses or damages through acts committed or omitted by officials

• Losses or damages suffered by SDM because of an act committed or omitted by an official, must be recovered from such an official if that official is liable in law.

• The Accounting Officer must determine the amount of the loss or damage and, in writing, request that official to pay the amount within 30 days or in reasonable instalments. If the official fails to comply with the request, the matter must be handed to the legal expert/State Attorney for the recovery of the loss or damage.
• A claim against an official must be waived if the conditions in paragraph (a) to (g) – “Claims against SDM through acts or omissions” above are not applicable.
• If in doubt, the Accounting Officer must consult the legal and support services of SDM.

10.1.3.2.8 Anti-Corruption and Fraud Prevention plan
• SDM’s Internal Audit Department is responsible to establish an anti-corruption and fraud prevention policy and plan, and this plan shall be used to manage all risks associated with the SCM system.
• Confidential reporting of potential bridges, fraud and corruption shall be reported to the SDM’s Risk Committee.
• SDM may also utilise the Gauteng Provincial Government Anti-Fraud and Anti-Corruption Hotline – 0800 701 701.

10.1.3.2.9 Guarantees
• Performance guarantees should be commensurate with the degree of contractual risk which SDM is exposed to.
• In cases of large and complex contracts, SDM should consider calling for bid guarantees to prevent the submission of irresponsible bids.
• Performance guarantees should spread the cost of the risk of failure between the contracting parties and should be set at such a level that all SDM’s costs relating to such failure are likely to be recovered.
• It would be prudent to make adequate provision in all engineering and construction works contracts to ensure that monies are available to rectify defects.
• Performance bonds in engineering and construction works contracts should be waived in low value, low risk contracts or where a third party carries the risk of failure in an acceptable manner.
11. SUPPLY CHAIN PERFORMANCE

a) Supply chain performance is a monitoring process during which a retrospective analysis is undertaken to determine whether the prescribed SCM processes are being followed and whether the desired objectives are achieved.
b) The following are the 2 areas which SDM should monitor:
   i. SCM policy and processes- a performance management system must be developed to measure and monitor the SCM policy and process and ascertain whether government’s objectives and targets have been achieved.
   ii. Provider’s performance - the performance management system also requires that all contractors’ performance must be monitored and assessed during the contract period.

11.1 MONITORING OF THE SCM POLICY AND PROCESS

11.1.1 The Accounting Officer must develop reporting mechanisms that will enable him to determine whether proper SCM processes have been followed and whether the desired objectives and targets have been achieved.
11.1.2 The Accounting Officer must ensure that SDM’s implementation of SCM processes are in line with National Treasury’s implementation plan.
11.1.3 The National Treasury’s process of monitoring the implementation of supporting regulations and standards should also be used as a benchmark.
11.1.4 SDM should also use its performance measurement system for officials as a tool for evaluating its performance on SCM activities.
11.1.5 The performance management system shall accordingly focus on, amongst others:
   a) Measure performance in terms of achievement of SDM goals;
   b) Measure compliance with norms and standards;
   c) Determine savings generated;
   d) Determine cost variance per item to indicate the premium paid for promoting preferential objectives;
   e) Identify any breach of contract;
   f) Determine cost efficiency of the acquisition process;
   g) Determine whether SCM objectives are consistent with Government’s broader policy focus;
   h) Determine whether the principles of co-operative governance as expounded in the Constitution are observed;
   i) Evaluate whether the reduction of regional economic disparities is promoted;
   j) Establish any non-compliance with contractual conditions and requirements; and
   k) Assess the efficiency of stores.

11.2 CONTRACTOR ASSESSMENT

11.2.1 SDM must ensure that the performance of all contractors is assessed during the period of the contract as stipulated in the Section on Contract Management.
11.2.2 At the completion stage of the project/contract, an assessment of the contractor must be undertaken and this assessment should be available for future reference.
11.2.3 The reliability of the contractor should be monitored in terms of, among others:
   a) Price;
b) Financial stability;
c) Response time;
d) Technical competence;
e) Creativity and innovation;
f) After delivery service;
g) Quality;
h) Accuracy of delivery i.e. quantity;
i) Reliability; and
j) Flexibility.

11.2.4 Contractors must be systematically monitored for performance against the same criteria as those used in the registration process for the prospective provider database or the criteria set in the specification/terms of reference, where applicable. In other words was the contractor (chosen from a providers' database or a bidding process) able to perform according to the contract conditions.

11.2.5 When contractors do not perform according to the contractual obligations and SDM does not address the matter during the execution of the contract, such non-performance cannot be deemed as sound reasoning for passing over the bid of such contractor when evaluating future bids.

11.2.6 SDM must keep a record of all instances of breach of contract and any actions taken against the contractor in a prescribed format for future considerations and reporting purposes.
ANNEXURE A – SCM CODE OF CONDUCT
In accordance with the Framework for Supply Chain Management; National Treasury has issued the following Code of Conduct for Supply Chain Management Practitioners and SDM has adopted it for adherence by all officials and other role players involved in supply chain management.

1. **General Principles**

1.1 The Government of South Africa commits itself to a policy of fair dealing and integrity in the conducting of its business. The position of supply chain management (SCM) officials is, therefore, a position of trust, implying a duty to act in the public interest. SDM officials should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or supplier/contractor for themselves, their family or their friends.

1.2 SDM officials should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation and regulations including the Public Service Regulations issued by the Department of Public Service and Administration, National Treasury Regulations and Practice Notes and directives issued by the Accounting Officer. They should ensure that public resources are administered responsibly.

1.3 SDM officials 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.

2. **Conflict of Interest**

2.1 SDM officials, to the extent required by their position, should declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest.

2.2 They should not place themselves under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties.

2.3 Officials should not take improper advantage of their previous office after leaving their official position.

3. **Accountability**

3.1 SDM officials are accountable for their decisions and actions to the public.

3.2 SDM officials should use public property scrupulously.

3.3 Only the Accounting Officer/ Council or their delegates have the authority to commit the government to any transaction for the procurement of goods and/or services.

3.4 All transactions conducted by an official should be recorded and accounted for in an
appropriate accounting system. Officials should not make any false or misleading entries into such a system for any reason whatever.

4. **Openness**

4.1. SDM officials 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.

5. **Confidentiality**

5.1 Any information that is the property of the Government or its suppliers 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.

5.2 Matters of a confidential nature in the possession of supply chain practitioners should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions should also apply after separation from service.

6. **Bid Evaluation / Adjudication Teams**

6.1. Bid evaluation / adjudication teams should regulate supply chain management on behalf of SDM in an honest, fair, impartial, transparent, cost-effective and accountable manner in accordance with the Accounting Officer’s / Council’s directives/delegated powers.

6.2 The evaluation / adjudication team are authorized to deal with all supply chain management matters and finalize bids / price quotations in accordance with the directives/delegated powers of the Accounting Officer / his delegate.

6.3 Bid evaluation / adjudication teams 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.

6.4 All members of bid adjudication teams should be cleared at the level of “CONFIDENTIAL” and should be required to declare their financial interest annually.

6.5 No person should:

6.5.1 interfere with the supply chain management system of SDM; or

6.5.2 amend or tamper with any bid after its submission.

7. **Combative Practices**

7.1 Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:
a) Suggestions to fictitious lower quotations;
b) Reference to non-existent competition;
c) Exploiting errors in bids;
d) Soliciting bids from bidders whose names appear on the list of restricted bidders/suppliers/persons.