

**ANNEXURE D**

**BUDGET - RELATED POLICES**





**MAKANA**  
MUNICIPALITY | EASTERN CAPE  
...a great place to be

# **MAKANA LOCAL MUNICIPALITY**

**CUSTOMER CARE,**

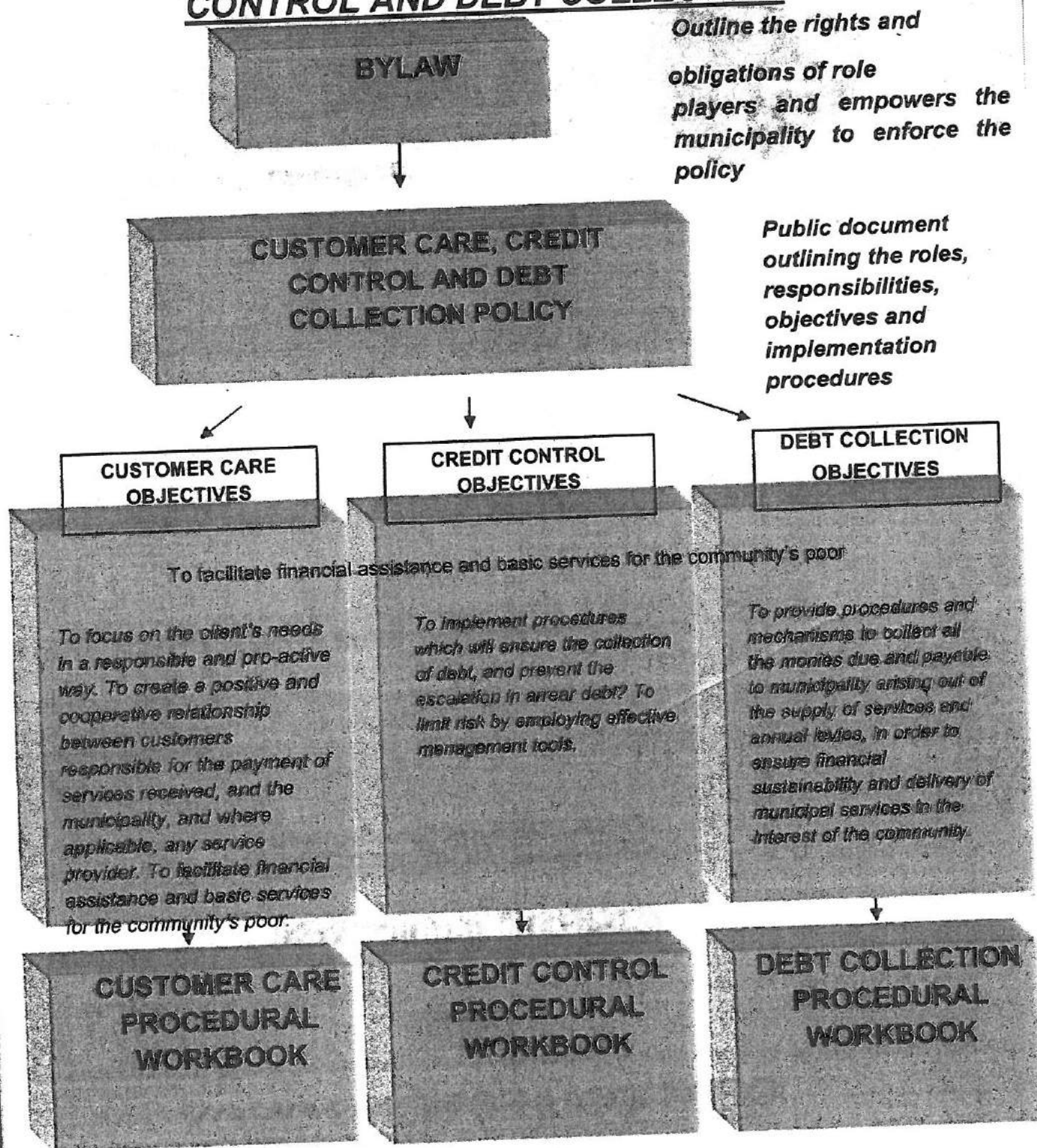
**CREDIT CONTROL**

**AND**

**DEBT COLLECTION POLICY**

**2014/2015**

# ROADMAP TO CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION



*Guidelines for official use and practices for implementation of the policy.*



## **PREAMBLE**

*WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipality to adopt, maintain and implement a credit control-, debt collection and customer care policy;*

*AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;*

*NOW THEREFORE the Municipal Council of the Local Municipality of Makana adopts the policy as set out in this document.*

# INDEX

<b>1</b>	<b>DEFINITIONS</b>	<b>6</b>
<b>2</b>	<b>PRINCIPLES</b>	<b>9</b>
<b>3</b>	<b>DUTIES AND FUNCTIONS</b>	<b>10</b>
3.1	Duties And Functions Of Council	10
3.2	Duties and functions of the Mayor and Executive Committee	11
3.3	Duties and functions of the Municipal Manager	12
3.4	Duties and functions of Communities, ratepayers and residents	13
3.5	Duties and functions of Councillors	13
<b>4</b>	<b>PERFORMANCE EVALUATION</b>	<b>13</b>
4.1	Income Collection Targets	13
4.2	Customer Service Targets	14
4.3	Administrative Performance	14
<b>5</b>	<b>REPORTING</b>	<b>14</b>
<b>6</b>	<b>CUSTOMER CARE SECTION</b>	<b>15</b>
6.1	Objectives	15
6.2	Communication and feedback	15
6.3	Handling of Complaints	16
6.4	Accounts and billing	17
6.5	Metering	18
6.6	Payment facilities and methods	18
6.7	Enquiries, appeals and service complaints	19
6.8	Customer Categories	20
6.9	Priority Customer Management	20
6.10	Customer assistance programmes	21
6.11	Arrangements for settlements	21

6.12	Property Rates Cycle and Instalments	22
6.13	Indigent Subsidy	22
6.14	Free Basic Services	22
<b>7</b>	<b>CREDIT CONTROL SECTION</b>	<b>23</b>
7.1	Objectives	23
7.2	Service application and agreements	23
7.3	Customer screening and securities	23
7.4	Right of access to premises	25
7.5	Personal contact	25
7.6	Interruption of service	26
7.7	Assessment Rates/Consolidated Account	26
7.8	Building Plans	27
7.9	The Pre-payment System	27
7.10	Incentive for prompt payments	27
7.11	Interest	28
7.12	Theft and fraud	28
7.13	Staff and Councillors arrears	29
7.14	Rates	29
<b>8</b>	<b>DEBT COLLECTION SECTION</b>	<b>29</b>
8.1	Objective	29
8.2	Legal Process / Use of attorneys / Use of credit bureaus	30
8.3	Cost of collection	31
8.4	Abandonment of Claims	31
	<b>ANNEXURE A – Arrangements</b>	<b>32</b>
	<b>ANNEXURE B – Income Collection Targets</b>	<b>37</b>

# **CUSTOMER CARE, CREDIT CONTROL AND DEBT**

## **COLLECTION POLICY**

### **1. DEFINITIONS**

***For the purpose of this policy, the wording or any expression used has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:***

**"Act"**

The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

**"Authorized Representative"**

the person or institution legally appointed by the Council to act or to fulfil a duty on its behalf;

**"Chief Financial Officer"**

the person appointed by Council to administer its finances;

**"Council"**

the municipal council of the Local Municipality of Makana;

**"consumer categories"**

for the purpose of this policy, refer to different groups of consumers with similar consumption patterns like for example residential, business, agriculture, etc.

**"customer"**

any occupier and/or owner of any property to which the municipality has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

**"defaulter"**

a person who owes money to the municipality after the due date has expired;

**"equipment"**

a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

**"interest"**

a charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on arrear monies;

**"MFMA"**

The Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) as amended from time to time;

**"municipality"**

includes a municipality referred to in section 155 (6) of the Constitution;

**"municipal account"**

an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;

**"Municipal Manager"**

the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

"municipal services"

those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

"occupier"

any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property,

"owner" –

- (a) the person in whose name the property is legally vested;
- (b) in the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;
- (c) in the case where the council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
- (d) in the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- (e) regarding:
  - (i) a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 van 1986), without limiting it to the developer or managing body to the communal property;
  - (ii) a portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a sectional title, including the legally appointed representative of such person;

(f) any legal entity including but not limited to :

- (i) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust *inter vivos*, trust *mortis causa*, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984), and any voluntary organisation;
- (ii) any provincial or national government department or local authority;
- (iii) any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
- (iv) any embassy or other foreign entity.

"property"

any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality;

## 2. PRINCIPLES

In the execution of its customer care, credit control and debt collection policy the municipality will apply the following principles:

- 2.1. The administrative integrity of the municipality will be maintained at all costs meaning that democratically elected councillors are responsible for the adoption of the policy, while the Municipal Manager must execute the policy.
- 2.2. All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines.
- 2.3. Changes to legislation, by-laws and policies may require existing customers to complete new application forms.
- 2.4. A copy of the application form, conditions of services and extracts of the customer care, credit control and debt collection policy and by-law must be handed to every customer on request at such fees as may be prescribed.

MK  
JBC

- 2.5. Billing is to be accurate, timeous and understandable.
- 2.6. The customer is entitled to:
  - 2.6.1. reasonable access to pay points;
  - 2.6.2. a variety of reliable payment methods; and
  - 2.6.3. an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of such an appeal.
- 2.7. Enforcement of payment must be prompt, consistent and effective.
- 2.8. Unauthorised consumption, illegal connection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 2.9. Incentives and disincentives may be used in collection procedures.
- 2.10. The collection process must be cost-effective.
- 2.11. The Mayor and Executive Committee must report the customer care, credit control and debt collection performance results, regularly and efficiently to Council.
- 2.12. Application forms will be used to, *inter alia*, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 2.13. Targets for performance in both customer service, credit control and debt collection will be set and pursued and remedies implemented for non-performance.
- 2.14. Where practically possible, customer care, credit control and debt collection should be handled independently and the organisational structure will reflect the separate functions.





### **3. DUTIES AND FUNCTIONS**

**The following responsibilities, duties and functions are assigned to the under mentioned role players relating to the management, control and implementation of customer care, credit control and debt collection:**

#### **3.1. *Duties and Functions of Council***

- 3.1.1. To approve a budget consistent with the needs of communities, ratepayers and residents.
- 3.1.2. To impose service charges, rates on property and other taxes, levies and duties to finance the budget.
- 3.1.3. To source and provide sufficient funds to give access to basic services for the poor.
- 3.1.4. To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality and according to the Bad Debt Policy of the Council.
- 3.1.5. To set improvement targets for customer care, credit control and debt collection, in line with acceptable standards and the ability of the implementing authority.
- 3.1.6. To approve a reporting framework for customer care, credit control and debt collection.
- 3.1.7. To consider and approve a by-law to give effect to the policy.
- 3.1.8. To establish a supervisory authority to monitor the performance of the Municipal Manager regarding to customer care, credit control and debt collection.
- 3.1.9. To revise the budget in terms of section 28 of the MFMA, should the targets for customer care, credit control and debt collection not be met.
- 3.1.10. To take disciplinary and/or legal action against councillors, officials and agents who do not execute the policy and by-law or act improperly in terms thereof.

- 3.1.11. To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy to the Mayor, Municipal Manager and Service Providers respectively.
- 3.1.12. To provide sufficient capacity in the Finance Directorate to execute customer care, credit control and debt collection or alternatively appoint service providers, or debt collection agents.
- 3.1.13. To provide funds for the training of staff.

### **3.2. *Duties and functions of the Mayor and Executive Committee***

- 3.2.1. To ensure that the budget, cash flow and targets for customer care, credit control and debt collection are met.
- 3.2.2. To monitor the performance of the Municipal Manager in implementing the policy and by-law.
- 3.2.3. To review and evaluate the policy and by-laws in order to improve the efficiency of customer care, credit control and debt collection procedures, mechanisms and processes.
- 3.2.4. To report to Council.

### **3.3. *Duties and functions of the Municipal Manager***

- 3.3.1. To implement a customer care management system.
- 3.3.2. To implement the customer care, credit control and debt collection policy and by-law.
- 3.3.3. To install and maintain an appropriate accounting system.
- 3.3.4. To bill customers.
- 3.3.5. To demand payment on due dates.
- 3.3.6. To raise penalties for defaults.
- 3.3.7. To appropriate payments received.

*me*

- 3.3.8. To collect outstanding debt.
- 3.3.9. To provide different payment methods.
- 3.3.10. To determine customer care, credit control and debt collection measures.
- 3.3.11. To determine relevant work procedures for, inter alia, public relations, reminders, final demands, arrangements, disconnection of services, summonses, judgements and write-off of debts.
- 3.3.12. To instruct attorneys to proceed with the execution of judgements obtained.
- 3.3.13. To set performance targets for staff.
- 3.3.14. To appoint staff to execute the policy and by-law.
- 3.3.15. To delegate certain functions to heads of departments.
- 3.3.16. To determine control procedures.
- 3.3.17. To monitor contracts with service providers in connection with credit control and debt collection.
- 3.3.18. To report to the Mayor and Executive Committee.

**3.4. *Duties and functions of communities, ratepayers and residents***

- 3.4.1. To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 3.4.2. To pay service charges, rates on property and other taxes, levies and duties imposed by the municipality on or before the due date.

- 3.4.3. To observe the mechanisms and processes of the municipality in exercising their rights.
- 3.4.4. To allow municipal officials reasonable access to their property to execute municipal functions. If access is not available, the property owner will be notified in writing of such a problem and should the problem not be addressed within the allowable meter reading estimation period, the property owner will be required to migrate to a prepaid metering device.
- 3.4.5. To comply with the policy and by-law and other legislation related to customer care, credit control and debt collection.
- 3.4.6. To refrain from tampering with municipal equipment, services and property.

### **3.5. *Duties and functions of Councillors***

- 3.5.1. To address payment for services and outstanding debt at regular ward meetings.
- 3.5.2. To adhere to and convey the policy and by-law to customers, residents and ratepayers.
- 3.5.3. To adhere to the Code of Conduct for Councillors.

## **4. PERFORMANCE EVALUATION**

The municipal Council will create a mechanism wherein the following targets can be assessed and evaluated and whereby remedial steps can be taken:

(Must be read in conjunction with Councils' policy on Customer Care)

### **4.1. *Income Collection Targets***

The municipal Council will set income collection targets that will include:

- 4.1.1. The reduction in the monthly increase of debt in line with the performance agreements for officials.



#### **4.2. Customer Service Targets**

The municipal Council will set targets that will include:

- 4.2.1. Response time to customer queries.
- 4.2.2. Date of first account delivery to new customers.
- 4.2.3. Reconnection time lapse.
- 4.2.4. Meter reading cycle.

#### **4.3. Administrative Performance**

The municipal Council will set targets that will include:

- 4.3.1. Cost efficiency of debt collection.
- 4.3.2. Query and appeal periods.
- 4.3.3. Enforcement mechanism ratios.

### **5. REPORTING**

- 5.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable him/her to report to the Mayor and the Executive Committee as supervisory authority in terms of section 99 of the Act, read in conjunction with section 100(c).

This report will include:

- 5.1.1. The total debt analysis as at month-end.
- 5.1.2. Financial system month-end balances after billing.
- 5.1.3. Brought forward balances at month-end.
- 5.1.4. Number of fully recovered accounts.
- 5.1.5. Number of indigent applications received, rejected and approved..

- 5.1.6. Cash flow situation.
- 5.1.7. Collections of arrangements.
- 5.1.8. Cash received versus debits raised.
- 5.1.9. Attorneys brought forward balances.
- 5.1.10. Meter reading functions.
- 5.1.11. New applications/connections.
- 5.1.12. Final readings/move out.
- 5.1.13. Arrangements made.
- 5.1.14. Number of final demands.
- 5.1.15. Electricity cuts versus reconnections.
- 5.1.16. Water restrictions versus reconnections.

Electricity and water revisits.

- 5.1.17. Summonses.
- 5.1.18. Judgements issued.

5.2. Performance in all areas against targets agreed to in Annexure "B" of this policy document.

5.3. If the actual cash receipts do not match the budgeted income, the Chief Financial Officer must report this with motivation to the Municipal Manager who will, if he agrees and the trend continuous, immediately move for a revision of the budget according to realistically realisable income levels in terms of section 28 of the MFMA.

5.4. The Mayor in conjunction with the Executive Committee as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Act.

## **6 CUSTOMER CARE SECTION**

(This section should be read in conjunction with the Councils' Policy on Customer Care)

### **6.1 Objectives**

The objectives of the customer care section are to:-

- 6.1.1 focus on the client's needs in a responsible and pro-active way to create a positive and cooperative relationship between customers responsible for the payment of services received, and the municipality, and where applicable, any service provider.
- 6.1.2 To facilitate financial assistance and basic services for the poorest of the poor in the community.

### **6.2 Communication and feedback**

- 6.2.1 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include revised targets for customer care.
- 6.2.2 The Customer Care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available at the municipal office, the official website and on special request.
- 6.2.3 Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and related issues.
- 6.2.4 Ward councillors will be required to hold regular ward meetings at which customer care and related issues will be given prominence.
- 6.2.5 The press will be encouraged to give prominence to customer care and related issues, and will be invited to Council or Committee meetings where these matters are discussed.

### **6.3 Handling of Complaints**

Within its financial and administrative capacity the municipality will establish:-

- 6.3.1 a central complaints/feedback office;
- 6.3.2 a centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
- 6.3.3 appropriate training for officials dealing with the public to enhance communications and service delivery; and
- 6.3.4 a communication mechanism to give feedback on service, debt and customer care and related issues.

### **6.4 Accounts and billing**

- 6.4.1 As from 01 July 2015 the Municipality will only permit consolidated accounts to be opened in the name of registered owners. Only one consolidated account will be allowed per erf.

These provisions as per Section 6.4.1 will not apply to Indigent Household accounts.

- 6.4.2 Owners will receive an understandable and accurate bill from the municipality, which will consolidate all service charges for that property.
- 6.4.3 Accounts will be rendered monthly in meter reading cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.
- 6.4.4 It is the owner's responsibility to ensure that postal address and other contact details are correct.
- 6.4.5 It is the owner's responsibility to ensure timeous payment and in the event of accounts not received to request a duplicate as non receipt of an account will not serve as an excuse for non-payment.
- 6.4.6 Settlement or due dates will be as indicated on the statement.





- 6.4.7 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.
- 6.4.8 Where any payment is made by a negotiable instrument and is later dishonoured by a bank, the municipality or its authorised agent:-
- 6.4.7.1. may recover the bank charges related to the transaction against the account of the owner; and
- 6.4.7.2. shall regard such an event as a default on a payment.
- 6.4.8 The municipality or its authorised agent must, if administratively possible, issue a duplicate account to a owner on request, at a cost as determined by Council.
- 6.4.9 Where it is found that the Municipality is not in the possession of all documentation required through relevant credit regulations, the municipality will serve a 7 day notice on such tenant / owner requesting all necessary documentation required. If the tenant / owner does not provide the municipality with the requested documentation in due time, the services to that property will be discontinued.

## **6.5 Metering**

- 6.5.1 Within practical and financial limits the municipality will endeavour to provide meters for every consumable service.
- 6.5.2 All meters will be read monthly as close as possible to a 30 day cycle. In cases where access to a premises or circumstances beyond control do not allow for a monthly reading, an estimate based on the average consumption of the preceding 3 months will be used to levy a monthly consumption.
- 6.5.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- 6.5.4 Customers will be informed of meter replacements.
- 6.5.5 If a service is metered but it cannot be read due to constraints or circumstances out of the control of the municipality or its authorised agent,

and the customer is charged for an estimated consumption, the account following the estimated account, must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

- 6.5.6 If the municipality detects water leaks or water wastage on a property, the municipality will serve a 7 day notice on the owner of the property to rectify the matter failing which the municipality will have the matter rectified and bill the owner with all costs related thereto.

## **6.6 *Payment facilities and methods***

- 6.6.1 The municipality will operate and maintain suitable and accessible payment facilities.
- 6.6.2 The municipality will, at its discretion allocate payments between service debts and debtors may not specify that payments are for specific portions of the account.
- 6.6.3 With the consent of a customer the municipality may in terms of section 103 of the Systems Act, approach an employer to secure a debit- or stop order arrangement.
- 6.6.4 The municipality may provide for special incentives as contemplated in section 103 of the Systems Act.
- 6.6.5 The customer will acknowledge, in the customer agreement, if he/she uses agents to transmit payments to the municipality for which the customer will still be responsible for late and non-payments.
- 6.6.6 Where the consumer/owner elects to settle their accounts via any electronic payment method, the onus is on the consumer/owner to ensure that the correct reference number is displayed on the payment advice, failure to do so will result in interest being levied on the account and the account being subjected to any credit control procedures.
- 6.6.7 To ensure that sufficient time is allowed for the transfer to be made from the consumer/owner's banking account to the Makana banking account prior to the due date.
- 6.6.8 Where the owner/consumer elects the Post Office or any other delivery service/agent in the payment or settlement of their account, it is the onus

of the owner/consumer to ensure that sufficient time is allowed for the payment of the account before due date.

## **6.7 Enquiries, appeals and service complaints**

- 6.7.1 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the municipality to investigate and adjust the account if found valid.
- 6.7.2 In the interim the debtor must pay an amount equal to the average of the preceding three month's consumption where such history of the account is available. Where no such history is available, the debtor must pay an estimated amount as calculated by the municipality until the matter is resolved.
- 6.7.3 The relevant department will investigate the query lodged in terms of paragraph 6.7.1 and inform the debtor within the period specified in the policy targets.
- 6.7.4 Failure to make interim payments will subject the customer to the normal credit control and debt collection procedures.
- 6.7.5 A customer may appeal to the Municipal Manager against the finding of the municipality or its authorised agent in terms of paragraph 6.7.3.
- 6.7.6 An appeal in terms of paragraph 6.7.5 must be made and lodged with the municipality within 21 (twenty-one) days after the notification of such finding has been received and must:-
  - 6.7.6.1. set out the reasons for the appeal; and
  - 6.7.6.2. be accompanied by any security determined for the testing of a measuring device, if applicable.

## **6.8 Customer Categories**

- 6.8.1. Customers will be categorised according to specific classifications based on *inter alia* the type of entity and applicable tariffs and risk levels.
- 6.8.2. Processes for credit control, debt collection and customer care may differ

from category to category, as deemed appropriate from time to time by the Municipal Manager.

#### **6.9. *Priority Customer Management***

- 6.9.1. Certain customers may be classified as priority customers based on criteria determined by the Municipal Manager.
- 6.9.2. A priority customer liaison officer may be appointed to take care of priority customers.
- 6.9.3. The envisaged priority customers will be administrated and managed by a dedicated official who will be responsible for the ongoing management of the customers so classified and will perform tasks such as the review of monthly accounts to ensure accuracy, the monitoring of prompt settlement of accounts and response to queries.

#### **6.10. *Customer assistance programmes***

##### **6.10.1. *Water leakages***

- 6.10.1.1. If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.
- 6.10.1.2. The customer has the responsibility to control and monitor his/her water consumption on a daily basis to ensure that there are no leaks on their line.
- 6.10.1.3. The Council may consider measures to assist registered indigent households to repair leakages inside their premises subject to the availability of funding on the approved Operating Budget of the Council.

#### **6.11. *Arrangements for settlements***

- 6.11.1. Customers / ratepayers with arrears must agree to the conversion to a prepayment meter if so requested by the Council.

- 6.11.2. When a prepayment meter is installed due to defaults on payments, the cost of the meter and all arrears can be paid off:-
- 6.11.2.1. monthly over an agreed period; and
- 6.11.2.2. at the discretion of the Municipal Manager, by adding the debt as a surcharge to the prepaid electricity / prepaid water cost, and be repaid with each purchase of electricity / water until the debt is settled in full.
- 6.11.3. The municipality reserves the right to raise the deposit requirement of debtors who seek arrangements.
- 6.11.4. Where an arrangement is made outside of the conditions of payment as set out in Annexure "A", such payments will be accepted, subject to the normal credit control and debt collection procedures.

#### **6.12. Property Rates cycle and instalments**

- 6.12.1. A property rates cycle will be for the 12 months of a Municipal financial year which runs from 1 July to 30 June. Property rates will be determined for the financial year and will be payable per month in twelve equal instalments.
- 6.12.2. Instalments not paid will be regarded as an amount in arrear and interest at a rate as determined by the Council will be levied on such arrear amounts.
- 6.12.3. Any customers that wants to pay rates annually must complete the relevant form and submit to the Finance Office

#### **6.13. Indigent subsidy**

- 6.13.1. Customers may apply for an indigent subsidy on the conditions as stipulated in the municipality's Indigent Policy.

#### **6.14. Free basic services**

- 6.14.1. Council may provide, free of charge to a customer, certain basic levels of services, as determined from time to time.

### **7. CREDIT CONTROL SECTION**

#### **7.1. Objectives**

The objectives of the credit control section are to:

- 7.1.1. Implement procedures that will ensure the prevention of escalation in arrear debt.
- 7.1.2. Limited risk by employing effective management tools.

#### **7.2. Service application and agreements**

- 7.2.1. All property owners of services will be required to sign an agreement governing the supply and cost of municipal services:-
- 7.2.1.1. Such agreements must inter alia provide for payment of consumer deposits where pre-paid systems are not used.
- 7.2.1.2. On default by a tenant, the owner will be the debtor of last resort, all services will revert back to the owner's account.
- 7.2.2. Prior to signing these agreements, customers will be entitled to receive the policy document of the municipality on request at a cost determined by Council.
- 7.2.3. On the signing of the agreement, customers will receive a copy of the agreement for their records.
- 7.2.4. Customers are responsible for costs of collection, interest and penalties in the event of delayed and/or non payment.
- 7.2.5. Existing customers of services may be required to sign new agreements





as determined by the Municipal Manager from time to time.

### **7.3. Customer screening and securities**

7.3.1. All applicants for municipal services may be checked for credit-worthiness including checking information from banks, credit bureaux, other local authorities, trade creditors and employers.

7.3.1.1 All applications for services may to be subjected to credit worthiness checks and in cases where the credit worthiness indicates a risk, the owner will be required at their cost to install pre-paid water and electricity devices prior to occupation.

7.3.2. Consumer deposits, either in cash or if so approved by Council, any other security acceptable to the municipality, will be charged for any new connection or any default on existing payment or payment arrangement except where there is a new application for a prepaid device. No interest will be payable on consumer deposits.

7.3.3. Deposits can be increased at the discretion of the municipality and in case of defaulting on payments it can be increased to a maximum of three times the average of the total monthly account for all services.

7.3.4.

7.3.5. On termination of the agreement the amount of the deposit, less any outstanding amount due to the municipality, will be refunded to the consumer.

7.3.6. Different accounts with outstanding balances on the same property in the name of the owner/ occupant or any family member(s) of the owner/occupant, except in the case of an indigent owner, are not allowed and may lead to immediate termination of services.

7.3.7. Consumers are not allowed to lodge a new application for services on property in the municipal area of Makana Local Municipality unless all accounts in their names with the Municipality are paid up to date.

### **7.4. Right of access to premises**

7.4.1. The owner and or occupier of property must allow an authorised representative of the municipality access at reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect,

the provision of any service.

- 7.4.2. The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.
- 7.4.3. Building plans will only be approved if placement of the water and electricity meters is allocated on the sidewalk where it is accessible to the Municipality. In cases where building plans are submitted for improvements to dwellings where meter(s) are still inside the premises, it will be a requirement for approval that meters be relocated to the sidewalk on account of the owner/applicant.
- 7.4.4. If a person fails to comply with paragraph 7.4.2, the municipality or its authorised representative may:-
  - 7.4.3.1. by written notice require such person to provide/restore access at his/her own expense within a specified period; and
  - 7.4.3.2. as a matter of urgency, without prior notice restore access and recover the cost from such person.

#### **7.5. *Personal contact***

- 7.5.1. Within the constraints of affordability Council will endeavour to notify customers of their arrears situation by telephonic contact or by delivering a final demand notices.
- 7.5.2. During the contact customers will be informed of their rights and obligations in terms of the customer care, credit control and debt collection policy including making arrangements and applying for indigent support.
- 7.5.3. Such contact is not a right and disconnection of services and other collection proceedings may continue in the absence of such contact.

#### **7.6. *Interruption of service***

- 7.6.1. Customers who are in arrears with their municipal account and who have not made arrangements with the municipality will have their supply of electricity and or water, and other municipal services, suspended, restricted or disconnected. For purposes of interrupting the electricity





supply, there will be no deviation between a conventional- and a pre-paid electricity meter.

- 7.6.2. The disconnection of services may happen when the municipal account is 1(one) day overdue.
- 7.6.3. Council reserves the right to deny or restrict the sale of electricity or water and to withhold proof of residence to customers who are in arrears with their rates or other municipal charges or where no suitable arrangement is made or indigent application done.
- 7.6.4. Upon the liquidation of arrears, or the conclusion of acceptable arrangements, the service will be reconnected as soon as conveniently possible.
- 7.6.5. All costs related to notices, the restrictions or dis- and reconnections and installation of pre-paid meters for water and electricity, will be determined by tariffs approved by the municipal Council, and will be payable by the customer.
- 7.6.6. The deposit of any defaulter will be adjusted and brought into line with the policy and tariff structure of the municipality.

#### **7.7. *Assessment Rates/Consolidated Account***

- 7.7.1. On the sale of any property in the municipal jurisdiction where rates, services and consumption charges are in arrears in excess of 24 months preceding rates clearance application date, Section 118(3) of the Systems Act shall be applied
- 7.7.2. The Council reserves the right to recover any outstanding assessment rates and or other debt on municipal services from tenants or occupants paying rental or any agent receiving rental on behalf of the owner of a property.
- 7.7.3. For the purpose of outstanding debt on a property, all debt may be consolidated in terms of section 102 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

## **7.8 MUNICIPAL CLEARANCE CERTIFICATES**

Subject to Sections 118(1) and (1A) of the Act, the following shall apply to the issue of a Municipal Clearance Certificate for the purpose of effecting transfer of a property to a new owner.

**7.8.1** Application shall be made by the conveyancing attorney, in the prescribed format, providing the following information in respect of the property in question:

- i. Present owner of the property;
- ii. Property description;
- iii. Physical address;
- iv. Rates Account No's;
- v. Electricity Account No's. (Or electricity meter no's.);
- vi. Water Account No's. (Or water meter no's.);
- vii. Purchasers details; identity numbers and postal address;
- viii. with respect to Vacant Land, an Affidavit from the seller that the property does not have a water supply connection and an undertaking from the purchaser that should a water supply connection be discovered on the property and such account is in arrears, then the purchaser accepts liability for such arrears.

Copies of all the accounts must accompany the application. *If the relevant information is not provided, the application will be returned to the conveyancer.*

## **7.9. The Pre-payment System**

**7.9.1.** The municipality may use its pre-payment system to recover arrears in respect of accrued municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, rates, refuse removal, sanitation and sewerage.

### **7.10. Incentives for prompt payment**

- 7.10.1. To encourage prompt payment and/or to reward regular payers, the municipality may consider incentives for the prompt payment of accounts.
- 7.10.2. If introduced such an incentive scheme will be reflected in the operating budgets as an additional expenditure.

### **7.11. Interest**

- 7.11.1. Simple Interest will be raised at the Municipality's bank prime rate plus 1% as a charge on all accounts not paid by the due date in accordance with applicable legislation.
- 7.11.2. Interest is based on a full month and part of a full month shall be deemed to be a full month.
- 7.11.3. Section 7.11.1 will not apply to indigent accounts

### **7.12. Theft and fraud**

- 7.12.1. Any natural or juristic person found to:-
  - 7.12.1.1. be illegally connected to municipal services;
  - 7.12.1.2. has tampered with meters, the reticulation network or any other supply equipment;
  - 7.12.1.3. has committed any unauthorised act associated with the supply of municipal services, and;
  - 7.12.1.4. be involved in theft of and fraudulent activity;

will be prosecuted and/or held liable for penalties as determined from time to time.
- 7.12.2. Council will immediately terminate the supply of services to a customer should such conduct as outlined in paragraph 7.11.1 be detected.

- 7.12.3. The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.
- 7.12.4. The municipality will maintain monitoring systems in order to identify customers who are undertaking illegal actions.
- 7.12.5. The municipality reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- 7.12.6. Any person failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.

### **7.13 *Staff and Councillors in Arrears***

- 7.13.1 Schedule 2 to the Municipal Systems Act, 2000 (Act No 32 of 2000) determines in paragraph 10 as follows:

"A staff member of the Municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months and a municipality may deduct any outstanding amounts from a staff members salary after this period"

The Chief Financial Officer may issue a salary deduction instruction where appropriate and in compliance with the Basic Conditions of Employment Act.

- 7.13.2 Schedule 1 of the Municipal Systems Act, 2000 (Act No 32 of 2000) was amended per the Local Government Laws Amendment Act, 2002 (Act No. 51 of 2002) to provide as follows in paragraph 12A:

"A councillor may not be in arrears to the municipality for rates and service charges for a period longer than 3 months."

The Municipal Manager may issue a salary deduction instruction where appropriate or take other action as provided for in the Act.

- 7.13.3 In respect of 7.13.1 and 7.13.2 where the property is not in the name of the staff member or councillor, this will include, property rented by or

property occupied by a staff member or councillor, the same provisions of 7.13.1 and 7.13.2 will apply.

#### **7.14 Rates**

At any stage that rates debt is outstanding after all other procedures have been taken, or no pre-paid systems to recover debt are attached to the property to collect such debt, the ultimate sanction of Sale of Execution will be followed.

### **8. DEBT COLLECTION SECTION**

#### **8.1. Objective**

The objectives of the debt collection section are to:-

- 8.1.1. Provide procedures and mechanisms to collect all the monies due and payable to the municipality arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

#### **8.2. Legal Process/Use of attorneys/Use of credit bureaus**

- 8.2.1. The municipality may, when all other credit control actions have been exhausted, commence legal process against debtors which process could involve summonses and judgements. In the case of registered indigents, the Municipality will conduct a social assessment before any legal actions are taken.
- 8.2.2. The municipality will exercise strict control over this process, and will require regular reports on progress from service providers.
- 8.2.3. The municipality will establish procedures and codes of conduct with these outside parties.
- 8.2.4. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the municipality's system of debt collection.
- 8.2.5. All steps in credit control and debt collection procedures will be recorded

for the municipality's records and for the information of the debtor.

- 8.2.6. Individual debtor account information is protected and not the subject of public information.
- 8.2.7. The municipality will release debtor information to credit bureaus and reserves the right to register consumers with a Credit Bureau that are in arrears with any debt due to the municipality and defaults on payment. All costs relating to registering / deregistering from the credit bureaus are liable to the person.
- 8.2.8. The municipality may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.
- 8.2.9. The municipality may consider the use of agents as service providers and innovative debt collection methods and products.
- 8.2.10. Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.
- 8.2.11. Any agreement concluded with an agent, service provider or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute a breach of the contract.

### **8.3. Cost of collection**

- 8.3.1. All costs associated with credit control and debt collection including interest, penalties, service discontinuation costs and legal costs are for the account of the debtor and should reflect at least the cost of the particular action.

### **8.4. Abandonment of Claims**

- 8.4.1. The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.
- 8.4.2. The valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, may be considered under the following circumstances:-
  - 8.4.2.1. the insolvency of the debtor, whose estate has insufficient funds;

mm

- 8.4.2.2. a balance being too small to recover, for economic reasons, considering the cost of recovery; and
  - 8.4.2.3. where the municipality deems that a customer or group of customers are unable to pay for services rendered.
  - 8.4.3.1. The municipality must maintain audit trails in such instances, and document the reasons for the abandonment of the actions or claims in respect of the debt.
-

***Arrangements***

If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer according to the applicable category of the customer. The customer must:

- i. Sign an acknowledgement of debt;
- ii. Sign a consent to judgement;
- iii. Provide a garnishee order/emolument order/stop order (if he or she is in employment);
- iv. Acknowledge that interest could be charged at the prescribed rate;
- v. Pay the current portion of the account;
- vi. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection/restriction of water and electricity will follow immediately, as will legal proceedings.
- vii. Acknowledge liability of all costs incurred.
- viii. Acknowledge and accept the following conditions to be applicable:



## CATEGORIES OF DEBTORS

### DOMESTIC CUSTOMERS

<b>DEBT</b>	<b>PAYMENT OF ARREARS</b>
R1,00 to R2 500,00	<p><b>30% of outstanding debt plus the cost of the credit control actions as down payment. The balance over maximum 6 months. If during the 6 month period the current portion of the account or arrangements fall into arrears, the service will be disconnected immediately and the full amount will be payable without any further arrangements been made with the Municipality.</b></p> <p>Where outstanding debt is recovered through the pre-paid system, the arrears will be recovered at a rate of 15.5% of the net amount of electricity vended per transaction.</p> <p>Deposit adjusted to 3 times average of total monthly account.</p>
R2 501,00 to R5 000,00	<p><b>30% of outstanding R2 500,00 with 20% over R2 500,00 plus the cost of the credit control actions as down payment. The balance of the outstanding amount over maximum 12 months. If during the 12 month period the current portion of the account or arrangements fall into arrears, the service will be disconnected immediately and the full amount will be payable without any further arrangements been made with the Municipality</b></p> <p>Where outstanding debt is recovered through the pre-paid system, the arrears will be recovered at a rate of 15.5% of the net amount vended per transaction</p> <p>Deposit adjusted to 3 times average of total monthly account.</p>

R5 000,00 and more	<p>30% of the first R2 500,00 outstanding</p> <p>20% of the second R 2 500,00 outstanding</p> <p>15% above R5 000,00 outstanding plus the cost of the credit control actions as down payment. The balance of the outstanding amount over maximum 18 months. If during the 18 month period the current portion of the account or arrangements fall into arrears, the service will be disconnected immediately and the full amount will be payable without any further arrangements been made with the Municipality</p> <p>Where outstanding is recovered through the pre-paid system, the arrears will be recovered at a rate of 15.5% of the net amount vended per transaction</p> <p>Deposit adjusted to 3 times average of total monthly account.</p>
--------------------	---

In all cases the consumer deposit to be increased to 3 times the average monthly consumption or a minimum as determined annually and published in the tariff list.

## **BUSINESS**

	<b>PAYMENT OF ARREARS</b>
1 <sup>st</sup> default in any twelve month cycle:	<p>50% of arrear amount plus current account as down payment. Balance over maximum of 6 months If during the 6 month period the current portion of the account or arrangements fall into arrears, the service will be disconnected immediately and the full amount will be payable without any further arrangements been made with the Municipality</p> <p>Where outstanding debt is recovered through the pre-paid system, the arrears will be recovered at a rate of 15.5% of the net amount vended per transaction</p> <p>Deposit adjusted to 3 months consumption.</p>
2 <sup>nd</sup> default in any twelve month cycle:	<p>100% of arrear amount plus current account as down payment.</p> <p>Deposit adjusted to 3 times average of total monthly account to be paid with down payment.</p>
<b><u>SPORT- and SOCIAL CLUBS</u></b>	<p>50% of arrear amount plus current account as down payment.</p> <p>Balance over maximum of 3 months.</p> <p>Where outstanding debt is recovered through the pre-paid system, 50% from the amount you vend.</p> <p>Deposit adjusted to 3 times average of total monthly account.</p>

## OLD AGE & DISABILITY PENSIONERS

DEBT	PAYMENT OF ARREARS
R1,00 to R2 500,00	<p>5% of outstanding debt plus the cost of the credit control actions as down payment. The balance over maximum of 12 months. If during the 12 month period the current portion of the account or arrangements fall into arrears, the service will be disconnected immediately and the full amount will be payable without any further arrangements been made with the Municipality.</p> <p>Where outstanding debt is recovered through the pre-paid system, the arrears will be recovered at a rate of 15.5% of the net amount vended per transaction</p> <p>Deposit adjusted to 3 times average of total monthly account.</p>
R2 501,00 to R5 000,00	<p>5% of outstanding R2 500,00</p> <p>3% over R2 500,00 plus the cost of the credit control actions. The balance of the outstanding amount over maximum 18 months. If during the 18 month period the current portion of the account or arrangements fall into arrears, the service will be disconnected immediately and the full amount will be payable without any further arrangements been made with the Municipality.</p> <p>Where outstanding debt is recovered through the pre-paid system, the arrears will be recovered at a rate of 15.5% of the net amount vended per transaction</p> <p>Deposit adjusted to 3 times average of total monthly account.</p>
R5 000,00 and more	5% of the first R2 500,00 outstanding

	3% above R2 500,00 outstanding plus the cost of the credit control actions. The balance of the
	outstanding amount over maximum 24 months.  If during the 24 month period the current portion of the account or arrangements fall into arrears, the service will be disconnected immediately and the full amount will be payable without any further arrangements been made with the Municipality

Where outstanding debt is recovered through the pre-paid system, the arrears will be recovered at a rate of 15.5% of the net amount vended per transaction

Deposit adjusted to 3 times average of total monthly account.

### **ACCOUNT HOLDERS UNDER ADMINISTRATION**

Where a person has been placed under administration the following procedures will be followed:

- i. The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- ii. The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1944).
- iii. Until such time as this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.

- iv. Should there be any default on the current account – the supply of services is to be limited or terminated, and the administrator handed over for the collection of this debt.

#### **INDIGENT**

- i. All customers qualifying as indigent and having remaining arrear debt after any relief has been granted, will repay that debt as follows:

Over 36 months, in addition to monthly service charges, with immediate payment of the cost of the credit control action taken.

In case it is found that payment at present and in future will be impossible, the arrear amount shall be recommended to be written off in line with the indigent support policy.

*mm*

**MAKANA MUNICIPALITY**

**CUSTOMER SERVICE TARGETS**

- (i) Response time to customer queries:
  - Initial response within 7 working days.
- (ii) Resolution of Queries:
  - 14 working days to resolve queries and appeals.
- (iii) Date of first account delivery to new customers:
  - By second billing cycle after date of application or occupation which even is the latest.
- (iv) Reconnection time:
  - within 12 hours after appropriate payment / arrangement are paid at the municipal cashier or payment is reflected on the municipality bank statement
- (v) Meter reading cycle:
  - 95% of meters being read on monthly basis on a date not more than 10 days off the previous reading date.
- (vi) Equity application (Indigent):
  - within 2<sup>nd</sup> billing cycle response for approval of disapproval, as well as provision of subsidy.

**ADMINISTRATIVE PERFORMANCE TARGETS**

- (i) Cost efficiency of debt collection :
  - Cost of collection not to exceed the capital debt amount;
  - All reasonable steps to be taken to limit cost to Council or the customer;
  - Cost of collection is to be recovered from the defaulting customers;

- Total cost of collection to be recovered by means of applicable credit control tariffs.

(ii) Enforcement mechanism ratio:

- 95% of total number of arrear customers being successfully notified / disconnected;



## **MAKANA MUNICIPALITY**

### **INDIGENT POLICY**

#### **DEFINITIONS**

**"child headed household"** means a household where both parents are deceased and where all occupants of a residential property are children of the deceased and all are under the legal age to contract for municipal services and are considered as minors in law by the state;

**"household"** means as a registered owner or tenant with children who reside on the same residential premises;

**"indigent"** means any household -

- (a) which is responsible for the payment of fees and/or charges for municipal services and rates;
- (b) of which the members thereof earn a combined grossly monthly income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development in line with the National Indigence Framework issued by the Department Local Government (DPLG); and
- (c) which qualifies, in accordance with this policy, for rebates/remissions, support or a services subsidy; and
- (d) which includes pensioners, unemployed and child-headed households -

all of which are unable to fully meet their obligations for municipal services consumed and also property taxes on their monthly accounts from the municipality provided that a "pauper" shall not, for purposes of this policy, be regarded as "indigent";

**"Indigent Management System"** means an electronic management system used by Makana Local Municipality for the management of the register of indigent households;

**"municipality"** means Makana Municipality a local municipality established in terms of section 12 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, councillor, duly authorized agent or any employee acting in connection with this policy by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, councillor, agent or employee, as the case may be;

**"programme officer"** means an official duly authorised by the municipality or an employee of a service provider appointed by the municipality who shall be responsible to ensure that assessments, screening and site visits in terms of this policy are undertaken;

**"occupier"** means the person who controls and resides on or controls and otherwise uses residential immovable property, provided that -

- (a) the spouse of the owner of immovable property, which is used by such spouse or owner as a dwelling at any time, shall be deemed to be the occupier thereof;

- (b) where both spouses reside on immovable property and one of them is an occupier thereof, the other shall also be deemed an occupier;

**“indigent register”** means the Microsoft Access database updated on a monthly basis and which is designed to contain all the captured data contained on completed indigent application forms, including the following items of key information:

- Indigent customer details
- Socio-economic details
- Skills details

In addition, the indigent register is capable of providing reports relating to, but not limited to the following:

- Indigent application exceptions
- Skills reporting required for LED/exit strategy
- Socio economic reporting

**“owner”**, in relation to residential immovable property, means -

- (a) the person in whom is vested the legal title thereto provided that -
- (i) the lessee of immovable property which is leased for a period of not less than fifty years, whether the lease is registered or not, shall be deemed to be the owner thereof; and
  - (ii) the occupier of immovable property occupied in terms of servitude or right analogous thereto shall be deemed the owner thereof;
- (b) if the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be;
- (c) if the owner is absent from the Republic or if his or her address is unknown to the municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property; or
- (d) if the municipality is unable to determine who such person is, then the person who is entitled to the beneficial use of such property;

**“premises”** includes any piece of land, the external surface boundaries of which are delineated on -

- (a) a general plan or diagram registered in terms of the Land Survey Act, 1997 (Act No. 8 of 1997) or in terms of the Deeds Registries Act, 1937 (Act No. 47 of 1937);

- (b) a general plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), and situated within the jurisdiction of the municipality;

“rates” means any tax, duty or levy imposed on property by the Council

## **(1) INTRODUCTION**

As a developmental institution, the municipality needs to commit itself to supporting measures that assist and empower its community. It is accepted that large sections of the community cannot exist without financial assistance and it is, therefore, the duty of the municipality to support and to ensure that residents in the municipality are able to access their constitutional right to have access to a basic level of services.

The municipality must, therefore, at all times, strive to fulfil the constitutional objectives as contemplated in section 152 of the Constitution and also meet the criteria for a credible indigent policy as laid down in the Credible Indigent Policy Assessment Framework, 2008 provided by the Department of Local Government.

The successful implementation of this policy depends totally on affordability and a reference to social analysis of the area should be included in the municipality's IDP. With regard to affordability, the foundation is contained in section 74 of the Municipal Systems Act, 2000 which prescribes that poor households must have access to basic service through tariffs that cover only the operating and maintenance costs.

The municipality accordingly adopts an indigent support policy which embodies an indigent support programme not only providing procedures and guidelines for the subsidisation of service charges to indigent households in its area of jurisdiction but also to increase the quality of life of the beneficiaries by assisting them to exit from indigence.

## **(2) POLICY PRINCIPLES**

In recognition of the abovementioned National Framework, the municipality undertakes to promote the following principles:

- (2.1) to ensure that the Equitable Share received annually will be utilised for the benefit of the poor only and not the subsidisation of rates and services charges due by those who can afford to pay;
- (2.2) to link this policy with the municipality's IDP, local economic development (LED) initiatives and poverty alleviation programmes;
- (2.3) to promote an integrated approach to free basic service delivery; and
- (2.4) to engage the community in the development and implementation of this policy.

## **(3) POLICY OBJECTIVES**

In support of the above principles, the objects of this policy are to ensure the following:

- (3.1) the provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;

- (3.2) the financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation;
- (3.3) the establishment of a framework for the identification and management of indigent households including a socio-economic analysis where necessary and an exit strategy;
- (3.4) the provision of procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households; and
- (3.5) co-operative governance with other spheres of government;
- (3.6) to enhance the institutional and financial capacity of the municipality to implement this policy.

#### **(4) THE LEGISLATIVE FRAMEWORK**

This policy is designed and implemented within the framework of the following legislation:

- The Constitution of the RSA, 1996;
- The Municipal Systems Act, 2000 (Act 32 of 2000);
- The Municipal Finance Management Act, 2003 (Act 56 of 2003);
- The Promotion of Administrative Justice Act, 2000 (Act 3 of 2000);
- The Promotion of Access to Information Act, 2000 (Act 2 of 2000);
- The Property Rates Act, 2004 (Act 6 of 2004).

#### **(5) QUALIFICATION CRITERIA**

Qualification criteria for indigent support shall be determined by the municipality from time to time, provided that until the municipality determines otherwise, the following criteria shall apply:

- (5.1) the applicant must be a resident of the municipality.
- (5.2) the applicant must be in possession of a valid South African identity document.
- (5.3) the combined or joint gross income of all occupants or dependants in a single household which receives services from the municipality may not exceed the thresholds determined by the municipality annually during consideration of the budget for the next financial year. The guideline relation to the household income threshold is an income of not less than two state pensions per month.
- (5.4) the applicant must be the owner or tenant who receives municipal services and is registered as an account holder on the municipal financial system; provided that the requirement of being registered as an accountholder does not apply to households in informal settlements and rural areas to whom no accounts are rendered.
- (5.5) any occupant or resident of the single household referred to above should not own any property in addition to the property in respect of which indigent support is provided.

- (5.6) a tenant can apply for a benefit in terms of this policy in respect of the charges he/she is billed for provided that the landlord shall still be liable for all ownership related charges such as rates.
- (5.7) the account of a deceased estate may be subsidised if the surviving spouse or dependants of the deceased, who occupy the property, apply for the assistance provided in this policy.

## (6) TARGETING OF INDIGENT HOUSEHOLDS

The effective targeting of indigent households and the implementation of this policy will depend largely on the social analysis included in the IDP, the LED initiatives and other poverty relief programmes of the municipality. The socio-economic information and performance indicators contained in these documents must form the basis for the targeting of indigent households.

Against the background of such socio-economic analysis, the municipality must within its financial and institutional capacity, decide which targeting approach or option should be applied. Depending on the extent of capacity, the municipality may apply any or a combination of the following targeting methods:

Targeting Approach	Application
1. Service levels	Lowest service levels normally in informal settlements and rural areas.
2. Service consumption	Metered services in urban and rural areas.
3. Property value	Applicable only to registered indigents in respect of subsidised or RDP housing to a value determined in addition to the R15 000 compulsory reduction in terms of the Municipal Property Rates Act, 2004.
4. Household income	Threshold determined in terms of socio-economic analysis.
5. Geographical (zonal) targeting	Specific areas (rural or urban) where households are regarded as poor irrespective of service level.

## (7) EXTENT OF INDIGENT ASSISTANCE AND SUPPORT

The extent of the monthly indigent support granted to indigent households will be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

Within the abovementioned budgetary process and, in striving to create a situation where poor households will be granted access to a full social package, the following assistance and support may be granted:

### (7.1) Water- Consumption

Each registered indigent household shall receive water fully subsidised to a maximum of 6kl per month provided that:-

- (7.1.a) where the household consumption exceeds 6kl per month, the municipality shall be entitled to restrict water supply to the property concerned in accordance with its applicable policy or by-law.



- (7.1.b) where excessive consumption is partly due to leaking water pipes or infrastructure or poor plumbing, the municipality may install a yard connection to the outside of the dwelling concerned or at an appropriate point and meter the consumption to the property concerned.

**(7.1.1) Water - Basic Charge**

Each registered indigent shall be subsidised on a monthly basis for a basic charge as provided for in the council's tariff policy and annual budget.

**(7.2) Electricity**

Each registered indigent household shall receive electricity fully subsidised to a maximum of 50 kWh per month. This subsidy may also apply to registered indigent households in rural areas where the municipality is the electricity supplier while agreements with Eskom, where the latter is the supplier, may be negotiated to support such households.

**(7.2.1) Electricity- Basic Charge**

Each registered indigent shall be subsidised on a monthly basis for a basic charge as provided for in the council's tariff policy and annual budget.

**(7.3) Refuse removal**

Each registered indigent shall be subsidised on a monthly basis for refuse removal as provided for in the council's tariff policy and annual budget.

**(7.4) Sanitation**

Each registered indigent shall be subsidised on a monthly basis for sanitation as provided for in the council's tariff policy and annual budget.

**(7.5) Property Rates**

Each registered indigent shall be subsidised on a monthly basis on rates due as provided for in the annual budget of the municipality and the municipality's Rates Policy.

**(7.6) Transfer of properties**

In the event of the death of the title holder of a property in an indigent household, the municipality may enter into agreements with local attorneys, the Legal Aid Board or the provincial law society for the administration of the estate and the transfer of the property into name of the successor of such title holder at the lowest possible cost.

**(7.7) Food Security**

Where the need exists, the municipality may enter into agreements with registered non-profitable or other organisations to establish soup kitchens or other forms of food supply to serve indigent households.

**(7.8) Basic Energy**

Indigent households in informal settlements where limited or no electricity is available, may be provided with alternative energy sources including, but not limited to: paraffin, fire gel, liquefied petroleum gas, solar, etc.; provided that the procurement processes for service providers or services shall be in accordance with the supply chain management policy of the municipality.

**(8) INDIGENT HOUSEHOLDS IN BODY CORPORATE AND RETIREMENT CENTRES**

Indigent consumers living in complexes managed by bodies corporate or in retirement centres shall be eligible to qualify for assistance and support in terms of this policy, subject to the following rules and procedures:

- (8.1)** The onus will be on the Board of Trustees/Managing Agent/Chairperson of a body corporate or retirement centre to apply to the municipality, for indigent status to be granted in respect of all services on behalf of the owners of those residential units within such complexes or retirement centres who meet the criteria and conditions for qualification.
- (8.2)** The onus will be on the unit owner to apply to the municipality for indigent status to be granted in respect property rates.
- (8.3)** All applications in terms of this paragraph must be submitted to the Chief Financial Officer and be accompanied by a certified copy of the Sectional Title Plan of the Sectional Title Scheme, registered General Plan or approved and registered plan of a similar development or a Retirement Centre, as the case may be. Such plan must indicate the participation quota for each unit as registered in the Deeds Office.
- (8.4)** The Programme Officer must verify all applications and after consideration by the Indigent Committee, he or she must notify:
  - (8.4.1)** The representative of the Body Corporate or Retirement Centre as the case may be, whether or not the application was successful with regard to the services applied for; and
  - (8.4.2)** The unit owner whether or not an application was successful with regard to property rates.
- (8.5)** The Chief Financial Officer will:
  - (8.5.1)** credit the monthly municipal account of a Body Corporate or Retirement Centre with the amount approved in respect of service related charges;

mm  
JBK

- (8.5.2) credit the monthly municipal account of the qualifying unit owner with the amount approved in respect of general rates.

- (8.6) The Board of Trustees/Managing Agent/Chairperson of a sectional title scheme, other similar development or retirement centre, as the case may be, in respect of which monthly credits are allowed under indigent support, must ensure that such credits are off-set against the monthly levies of the relevant individual units. The Board of Trustees/Managing Agent/Chairperson concerned must also, once every six months or at such intervals as may be determined by the municipality, provide proof to the Chief Financial Officer that the monthly levies of poor households which qualify for assistance have been adjusted by the amounts credited to the account of such Body Corporate or Retirement Centre.

## **(9) ASSISTANCE PROCEDURES**

### **(9.1) Communication**

The municipality will develop a communication strategy in terms of which communities will be informed and educated in order to have a clear understanding of this policy and its implementation. Regular information dissemination and awareness campaigns must be undertaken to eliminate unrealistic expectations both in terms of qualifying for subsidy as well as service delivery in general and methods of communication may include, but are not limited to:

- (9.1.1) Ward committees;
- (9.1.2) Traditional leaders, where applicable;
- (9.1.3) Community based organisations;
- (9.1.4) Local radio stations and newspapers;
- (9.1.5) Municipal accounts;
- (9.1.6) Imbizo's and road shows; and
- (9.1.7) Jamborees/gatherings where government and municipal officials will be available to assist residents with applications such as ID applications, pension and social grant applications.

### **(9.2) Application/Registration**

- (9.2.1) A person applying for assistance must complete a formal indigent support application form approved by the municipality. Such forms will be available at approved registration points provided by the municipality and shall be dealt with in terms of a Procedures Manual.
- (9.2.2) Applications must be accompanied by the following:
  - (9.2.2.1) A copy of the applicant's identity document;
  - (9.2.2.2) The applicant's latest municipal account;
  - (9.2.2.3) Documentary proof of income, or an affidavit declaring lack of income and / or proof of registration as unemployed, plus bank statements (where applicable);

*mu*



- (9.2.2.4) Particulars of any other grants received by the accountholder;
- (9.2.2.5) Proof of ownership of business or second properties;
- (9.2.3) The applicant must consent to the installation of any form of pre-paid meters as a system to limit the consumption of services and to reduce the accumulation of debt;
- (9.2.4) As part of the application, the applicant must give consent for external reference and credit bureau checks;
- (9.2.5) If an application is approved, the level of indigent assistance and support will be valid for a period of 12 months without guarantee of renewal. The onus remains on the applicant to re-apply for assistance each year failing which such assistance may be terminated.

### **9.3 Assessment & Screening of Applicants**

After the application/registration process has been completed, all information must be verified by the Programme Officer or a person approved by the municipality for this purpose as follows:

#### **(9.3.1) Indigent Management System Check**

The information on the municipality's Indigent Management System must be checked to determine whether an applicant is already registered on the system as well as to determine dates when existing applicants should be reviewed.

#### **(9.3.2) Data Capture**

The indigent registration data must then be captured in an Indigent Management System as per the application form.

#### **(9.3.3) Verification – Site Visit**

The Indigent Management System must assign an application to a duly appointed official to perform on-site verification if necessary.

The Programme Officer must then verify and assess the registration application and may make recommendations for either the acceptance or refusal of the application or for further investigation which may include an external reference check.

#### **(9.3.4) Verification – external reference check**

An external reference check of applicants recommended as suitable candidates for indigent support may be conducted with UIF, SARS, Department of Welfare or a Credit Bureau after details of the site visitation have been captured.

The information gathered through verification in terms of 9.3.3 and 9.3.4 must be entered into the Indigent Management System within 72 (seventy two) hours after receipt thereof for finalisation of the application.

**(9.4) Recommendation**

Once the verification process has been completed, the Indigent Management System must generate a recommendation based on the information captured in the database. Those applications that qualify for indigent support in accordance with the system must then be referred to the Indigent Committee for final consideration.

**(9.5) Indigent Committee**

**(9.5.1)** An Indigent Committee comprising of designated officials and councillors, preferably ward councillors, must be established for the purpose of consideration and finalisation of applications received.

**(9.5.2)** The Indigent Committee must meet regularly, but at least once per month.

**(9.5.3)** The Indigent Committee must consider each recommended application; assess it in terms the assessment criteria and any other knowledge or information which members may have in respect of the applicant.

**(9.5.4)** The Programme Officer must, in writing, advise every applicant of the success or otherwise of his/her application.

**(9.5.5)** The Indigent Committee must monitor, in conjunction with ward councillors, ward committees and other persons or organisations it may appoint, the implementation of the indigent support programme, subject to the policy directions of the municipality and in consultation with the municipal manager.

**(9.6) Right of appeal**

An applicant who feels aggrieved by the decision taken in respect of his or her application may lodge an appeal in terms of section 62 of the Municipal Systems Act, 32 of 2000.

**(9.6.1)** An applicant whose application has been declined, may appeal against such decision.

**(9.6.2)** The appeal must be in writing and be lodged with Municipal Manager within 14 days after receipt of the notification. The appeal must contain:

- (i)** The reason for the appeal;
- (ii)** Any other documentary proof in support of the appeal.

**(9.6.3)** The appeal shall be decided:-

- (i)** Within 14 days after lodgement of the appeal;
- (ii)** Strictly in terms of the provisions of this policy;

- (iii) By the Mayor and two other councillors who do not serve on the Indigent Committee.

**(9.7) Institutional Arrangements**

The municipality must designate existing staff or appoint officials or engage community development workers who have been trained in terms of the municipality's directions to assist with the implementation and development of this policy and must establish appropriate registration points in its area, the cost of which may be funded through the equitable share allocation.

**(10) PROCESS MANAGEMENT**

**(10.1) Applications**

With the exception of Property and Zonal Targeting, the indigent application form should be completed in full and then captured onto the relevant indigent register and accounting system.

**(10.2) Validity period**

All applications approved for assistance in terms of this policy shall be valid for a period of 12 months whereafter qualifying indigent households must re-apply for further indigent support.

**(10.3) Death of Registered Applicant**

In the event of the death of an approved applicant, the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met.

**(10.4) Arrears and Excess Usage of Allocation**

**(10.4.1)** Upon registration as an indigent household, the arrears on the account of the applicant will be written off subject, however, to the reversal of such write-off in the event of the indigent household concerned no longer qualifying for indigent support in terms of this policy due to changed circumstances or in the circumstances contemplated in subparagraph 10.6.5 hereunder.

**(10.4.2)** No interest may be calculated on the arrears amounts owing by an indigent debtor.

**(10.4.3)** If the applicant exits from the indigent support programme within a period of six months after approval of his/her application for indigent support, the arrears of such applicant will be re-instated in his/her account and will be subject to collection in terms of the credit control and debt collection policy of the municipality;

**(10.4.4)** If the level of consumption of the indigent household exceeds the consumption level approved by the municipality, the household will be obliged to pay for the excess consumption on a monthly basis.

**(10.5) Termination of Indigent Support**

Indigent Support will be terminated under the following circumstances:

- (10.5.1) Upon the death of the account-holder.
- (10.5.2) Upon termination of the validity period for indigent support, namely 12 months after approval except in the case of pensioners and child-headed households.
- (10.5.3) Upon sale of the property occupied by an indigent household.
- (10.5.4) When circumstances in the indigent household have improved to such an extent that the indigent support threshold has been reached or been exceeded..
- (10.5.5) If the applicant is found to have supplied incorrect, misleading or false information concerning in his/her and/or his/her household personal circumstances or indigent status, in which case the following will apply:
  - (10.5.5.1) All arrear amounts owing by the indigent household to the municipality will immediately be reinstated and become due and payable;
  - (10.5.5.2) Stringent credit control measures will apply; and
  - (10.5.5.3) The applicant will not be eligible to apply for indigent support for a period of 2 years following the date of termination of such support in terms of this subparagraph.

#### **(10.6) Audit and review**

The municipality will conduct an audit of the indigent register on a quarterly basis with regard to the information furnished by applicants and possible changes in status, the usage of allocations and debt collection measures applied.

#### **(10.7) Exit Programme**

Members of households registered as indigent should be prepared to participate in exit programmes co-ordinated by the municipality in collaboration with other government departments and the private sector.

As part of its broader poverty reduction programme, the municipality undertakes to provide for the participation and accommodation of indigent persons in its local economic development (LED) initiatives and in the implementation of integrated development programmes where possible.

### **(11) MONITORING AND REPORTING**

- (11.1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council and other interested parties. Such report shall reflect on:

- (11.1.1) Number of indigent households which applied for assistance;
- (11.1.2) Amount of subsidy allocated per service category;
- (11.1.3) Amount of debt accumulating and debt recovery information (number of customers; enquires; default arrangements; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);
- (11.1.4) Performance of all areas against targets set in the municipality's performance management system;
- (11.1.5) Changes in the registered status of indigents.

**(12) CAPACITY BUILDING**

The municipality must ensure that all officials and councillors are appropriately capacitated in Free Basic Services in terms of the following key areas:

- Database Management
- Demand and Revenue Management
- Policy and by-law implementation

ooo000ooo

ML  
TBK





# MAKANA

MUNICIPALITY | EASTERN CAPE

MAŞIPALA WASEMPUMAKOLONI

MUNISIPALITEIT | OOS-KAAP

...a great place to be

## MAKANA MUNICIPALITY

### SUPPLY CHAIN MANAGEMENT POLICY

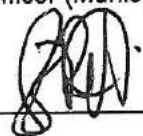
<b>POLICY NUMBER:</b>	
<b>POLICY NAME</b>	Supply Chain Management Policy
<b>POLICY STATUS</b>	Draft
<b>VERSION</b>	No. 3
<b>DATE OF APPROVAL</b>	
<b>DATE OF FIRST IMPLEMENTATION</b>	August 2008
<b>DATE OF LAST AMENDMENT</b>	
<b>DATE OF NEXT REVIEW</b>	June 2016
<b>PURPOSE</b>	The purpose of this manual is to provide a set of policy guidelines and procedures to regulate the procurement system of Makana Municipality.
<b>AIMS AND OBJECTIVES</b>	The Policies and Procedures are designed to establish a standard procurement system that is cost effective, competitive, equitable, transparent and fair. To give effect to the provisions of the MFMA
<b>POLICY CUSTODIAN</b>	Directorate: Budget and Treasury
<b>RELATED POLICIES AND LEGISLATION</b>	<ul style="list-style-type: none"> <li>• Constitution of the Republic of South Africa 1996. Act 108 of 1996</li> <li>• Municipal Finance Management Act No. 56 of 2003</li> <li>• Preferential Procurement Policy Framework Act No. 5 of 2000</li> </ul>



	<ul style="list-style-type: none"> <li>• Preference Procurement Regulations 2011</li> <li>• Batho Pele Principles</li> <li>• Broad-Based Black Economic Empowerment Act No.53 of 2003</li> <li>• Construction Industry Development Board Act No. 38 of 2000</li> <li>• Municipal Systems Act No. 32 of 2000</li> <li>• Promotion of Administrative Justice Act No. 3 of 2000</li> <li>• Promotion of Access to Information Act No. 2 of 2000</li> <li>• Protection Disclosure Act No. 26 of 2000</li> <li>• Competition Act No. 89 of 1998</li> <li>• Prevention and Combating of Corrupt Activities Act No. 12 of 2004</li> <li>• Supply Chain Management Regulations</li> <li>• National Treasury Regulations 68 on Irregular, Wasteful, Unauthorised and Fruitless Expenditure</li> </ul>
<b>APPROVING AUTHORITY</b>	Council
<b>APPLICABILITY</b>	<p>This policy shall apply to the entire Municipality and must be strictly adhered to when</p> <ul style="list-style-type: none"> <li>• Procuring services and goods</li> <li>• Disposing of goods no longer needed</li> </ul>
<b>POLICY BENCHMARK AND REFERENCES</b>	
<b>STAKEHOLDERS CONSULTED</b>	Yes

Signed By:   
Accounting Officer (Municipal Manager)

Date: 27/05/2015

Signed By:   
Executive Mayor

Date: 27/05/2015



INDEX	PAGE
1. Definitions	6
<b>CHAPTER 1</b>	
<b>IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY</b>	
2. Supply Chain Management Policy	12
3. Amendment of Supply Chain Management policy	13
4. Delegation of Supply chain Management powers and duties	13
5. Sub-delegations	14
6. Oversight role of council	15
7. Supply Chain Management Unit	16
8. Training of Supply Chain Management Officials	16
<b>CHAPTER 2</b>	
<b>SUPPLY CHAIN MANAGEMENT SYSYTEM</b>	
9. Format of Supply Chain Management System	17
<b>Part 1: Demand Management</b>	
10. System of demand management	17
<b>Part 2: Acquisition Management</b>	
11. System of acquisition management	19
12. Range of procurement processes	19
13. Special categories of bidders and suppliers	21
13.1 Exempted micro-enterprises	21
13.2 Qualifying small enterprises	22
13.3 Start-up enterprises	22
14. General preconditions for consideration of written quotations or bids	22
15. Lists of accredited prospective providers	23
16. Petty cash purchases	24
17. Written or verbal price quotations	24
18. Formal written price quotations	25
19. Procedures for procuring goods or services through written or Verbal quotations and formal price quotations	25
20. Quotation prices	26
21. Non-responsive quotations	26
22. Exemption from obtaining three (3) quotes	27
23. Competitive bidding process	27
24. Process for competitive bidding	28
25. Bid documentation for competitive bids	28
26. Public invitation for competitive bids	29
27. Issuing of bid documentation	30
28. Validity periods	30

29. Increase in scope of work	31
30. Samples	31
31. Procedure for handling, opening and recording of bids	32
32. Invalid bids	33
33. Negotiations with preferred bidders	34
34. Request for withdrawal of bids	34
35. Annual bids	34
36. Two-stage bidding process	34
37. Committee system for competitive bids	35
38. Bid Specification Committees	36
39. Bid Specification Terms of Reference	36
39.1 General requirements	36
39.2 Functionality	36
39.3 Preference Point System 80/20	36
39.4 Preference Point System 90/10	39
39.5 Local Production	40
39.6 B-BBEE status level certification and scorecards	42
39.7 Additional conditions	43
39.7.1 Sub-Contracting	43
39.8 Miscellaneous Special Conditions of Contract	43
39.8.1 General	43
39.8.2 Cancelling a tender	44
39.8.3 Declarations	44
39.8.4 Remedies	44
39.9 Savings	45
40. Procurement from tertiary institutions	45
41. Re-invitation of tenders	45
42. Bid Evaluation Committee	46
43. Bid Adjudication Committee	48
44. Procurement of Banking services	50
45. Procurement of IT related goods and services	50
46. Procurement of goods and services under contracts secured By other organs of state	51
47. Procurement of goods necessitating special safety arrangements	51
48. Appointment of consultants	51
49. Deviation from and ratification of minor breaches of procurement Processes	52
50. Unsolicited bids	53
51. Combating of abuse of supply chain management system	54

### Part 3: Logistics, Disposal, Risk And Performance Management

52. Logistic management	56
53. Disposal management	56
54. Risk management	58

55. Performance management	58
----------------------------	----

Part 4: Other matters

56. Prohibition on awards to persons whose tax matters are not In order	58
57. Prohibition on awards to persons in the service of the state	58
58. Awards to close family members of persons in the service Of the state	59
59. Ethical standards	59
60. Inducement, rewards,, gifts and favours	59
61. Sponsorship	60
62. Objections and complaints	60
63. Resolution of disputes, objections, complaints and queries	60
64. Contracts providing for compensation based on turnover	61
65. Contract management – issue of expansion and variation orders	61
66. Applications of policy to municipal entities	62
67. Fronting	62
68. Proudly South African Campaign	65
69. Pre-bid information / site meeting	66
70. Changing information before closing time	66
71. Postponement of closing date	66
72. Receipt and opening of bids – R 10 000 to R 30 000	66
73. Commencement	66

Annexure:

A. Code of Conduct for Supply Chain Management Practitioners And other role players	64
B. Schedule to Small Business Act No. 102 of 1996	67

VM  
JBK

## 1. Definitions

In this policy and any bid documentation or directive issued in terms thereof, the singular includes the plural and vice versa, any one gender includes both genders and, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Municipal Finance Management Act has the same meaning as in this Act and -

**"Accounting Officer"** means the manager of the municipal administration and accounting officer of the municipality appointed by the council in terms of section 54A of the Local Government: Municipal Systems Act No. 32 of 2000 and includes any employee of the municipality who acts in his stead and, in the event of the municipality being subject to an intervention in terms of section 139 of the Constitution or any other applicable law, includes the "Administrator" appointed as a consequence of such intervention or in terms of the conditions pertaining thereto;

**"All applicable taxes"** includes value-added tax, pay as you earn, income tax, skills development levies and unemployment insurance fund contributions;

**"B-BBEE"** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;

**"B-BBEE status level of contributor"** means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment;

**"Bid"** means a written offer in a prescribed or stipulated form in response to an invitation to bid issued by the municipality for the procurement of goods, services or works through price quotations, advertised competitive bidding processes, limited bids or proposals or for the disposal of assets and **"tender"** has a corresponding meaning;

**"Bid Committees"** means the committees established in terms of this policy to prepare bid specifications, bid documentation, evaluate responsive bids and, where so authorized, to adjudicate responsive bids and any reference in section 117 of the Municipal Finance Management Act to municipal tender committees shall be construed as a reference to the aforesaid committees;

**"Bid documentation"** means all documentation relating to or necessary in order to complete a procurement or disposal including but not limited to such specification, bidding, certification and contractual documentation as may be prescribed by National Treasury or the Construction Industry Development Board, as the case may be, for municipal supply chain management purposes and the implementation of this policy;

**"Bidder"** means any person who submits a bid or quotation to the municipality in response to an invitation to bid or quote and includes a **"tenderer"**;

**"Bid rigging"** means a prohibited collusive bidding practice in terms of which bidders that would normally be expected to compete in a procurement process either singularly or by association with other persons or firms in a horizontal relationship, secretly conspire to raise prices or lower the quality of goods and/or services or agree not to compete against each other in such process;

**"Black people"** is a generic term which means Africans, Coloureds and Indians;

**"Broad-Based Black Economic Empowerment Act"** means the Broad-Based Black

Economic Empowerment Act No. 53 of 2003;

**"Chief Financial Officer"** means the official of the municipality designated as such in terms of section 80(2)(a) of the Municipal Finance Management Act;

**"CIDB"** means the Construction Industry Development Board;

**"CIDB regulations"** means any regulations issued in terms of the Construction Industry Development Board Act No. 38 of 2000;

**"Codes of Good Practice"** means the Codes of Good Practice on Black Economic Empowerment issued in terms of section 9 (1) of the Broad-Based Black Economic Empowerment Act and contained in General Notice 12 of 9 February 2007;

**"Comparative price"** means the price after the factors of a non-firm price and all unconditional discounts that can be utilized, have been taken into consideration;

**"Competitive bidding process"** means a transparent procurement method in which bids from competing contractors, suppliers or vendors are invited by openly advertising the scope, specifications, terms and conditions of the proposed contract as well as the criteria by which responsive bids received will be evaluated;

**"Competitive bid"** means a bid in terms of a competitive bidding process;

**"Consortium or joint venture"** means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

**"Construction works"** or **"works"** means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure;

**"Contractor"** means a person or body of persons who undertakes to execute and complete procured construction works for or on behalf of the municipality;

**"Contract"** means the agreement that results from the acceptance of a bid by the municipality in accordance with this policy;

**"Council"** means the council of Makana Municipality;

**"Day"** unless expressly otherwise provided in this policy, means a calendar day, provided that when any particular number of days is prescribed for the doing of any act, or for any other purpose, the same shall be reckoned exclusively of the first and inclusively of the last day, unless the last day happens to fall on a Sunday or on any public holiday, in which case the time shall be reckoned exclusively of the first day and exclusively also of every such Sunday or public holiday;

**"Delegating authority"** means the council, a duly authorized political structure or office bearer thereof, the Accounting Officer or other employee to whom original powers are assigned in terms of legislation and, in relation to a sub-delegation of a power, that delegated body;

**"Delegation"** means the issuing of a written authorization by a delegating authority to a



delegated body to act in his stead and, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty and "delegate" and sub-delegate has a corresponding meaning;

**"Delegated body"** in relation to the delegation of a power means the person to whom a power has been delegated by the delegating authority in writing;

**"Designated Official"** means the official of the municipality to whom the accounting officer or the chief financial officer, as the case may be, have, in accordance with sections 79 and 82 of the Municipal Finance Management Act No. 56 of 2003 delegated or sub-delegated powers, functions and duties in connection with the application and implementation of this policy provided that a sub-delegation by the chief financial officer to an official that has not been allocated to him by the accounting officer or to a person contracted by the municipality for the work of its budget and treasury office may only be so authorized with the concurrence of the accounting officer and provided further that the said chief financial officer is satisfied that effective systems and procedures are in place to ensure control and accountability by the person concerned;

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

**"Disposal"** means a process of preparing, negotiating and concluding a written contract relating to the alienation or a capital asset whether movable or immovable owned by or under the control of the municipality or rights in respect thereof, by means of a sale, lease, donation or cession and **"dispose of"** has a similar meaning;

**"Emergency"** means a serious, unexpected, unforeseen and potentially dangerous and damaging situation requiring immediate action and which is not due to lack of planning

**"Final award"** in relation to bids or quotations submitted for a contract, means the final decision on which a bid or quote was accepted;

**"Firm price"** 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 other duty, levy or tax which, in terms of any applicable law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies or the rendering costs of any service, for the execution of a contract;

**"Formal written price quotations"** means quotations referred to in paragraph 12 (1) (c) of this policy;

**"Functionality"** means the measurement according to predetermined norms, as set out in the bid specification, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder;

**"Fronting"** means a deliberate circumvention or attempted circumvention of the "Broad- Based Black Economic Empowerment Act and the Codes of Good Practice;

**"Head of Department"** means a senior manager as defined in the Municipal Finance Management Act and who is responsible for a vote as assigned by the accounting officer;

**"Imported content"** means that portion of the bid or tender price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight

and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port of entry;

**"In the service of the state"** means to be -

(a) A member of -

- (i) any municipal council;
- (ii) Any provincial legislature; or
- (iii) The National Assembly or the National Council of Provinces;

(b) A member of the board of directors of any municipal entity;

(c) An official of any municipality or municipal entity;

(d) An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Act and the Public Finance Management Act, 1999 (Act No. 1 of 1999);

(e) A member of the accounting authority of any national or provincial public entity; or

(f) An employee of Parliament or a provincial legislature;

**"Line manager"** means a manager reporting directly to a senior manager and who is responsible for a cost centre as assigned by the relevant senior manager;

**"Local content"** means that portion of the bid or tender price which is not included in the imported content, provided that local manufacture does take place;

**"Long term contract"** means a contract with a duration period exceeding one year;

**"List of accredited prospective providers"** means the list of accredited prospective providers which the municipality must keep in terms of paragraph 15 of this policy;

**"Mayor"** means the councillor elected by the council as Mayor in terms of section 48 of the Local Government: Municipal Structures Act No. 117 of 1998 read with section 58 of the Municipal Finance Management Act;

**"Municipality"** means the Makana Municipality, a local municipality established in terms of section 12 of the Local Government: Municipal Structures Act No. 117 of 1998 and includes any employee entitled to or duly authorized to perform any function or duty in terms of this policy and/or is responsible for the implementation of this policy or any part thereof;

**"Municipal Finance Management Act"** means the Local Government: Municipal Finance Management Act No. 56 of 2003 and, unless otherwise stated in this policy, any reference to "the Act" shall mean a reference to this Act;

**"Municipal Systems Act"** means the Local Government: Municipal Systems Act No. 32 of 2000 and includes the regulations under this Act;

**"Non-firm prices"** means all prices other than "firm" prices;

**"Other applicable legislation"** means any other legislation applicable to municipal supply chain management, including but not limited to -

- (a) The Preferential Procurement Policy Framework Act No. 5 of 2000;
- (b) the Broad-Based Black Economic Empowerment Act No. 53 of 2003;
- (c) the Construction Industry Development Board Act No. 38 of 2000;
- (d) The Local Government: Municipal Systems Act No. 32 of 2000 (Municipal Systems Act)
- (e) The Promotion of Administrative Justice Act No. 3 of 2000;
- (f) the Promotion of Access to Information Act No. 2 of 2000;
- (g) the Protected Disclosures Act No. 26 of 2000;
- (h) The Competition Act No. 89 of 1998;
- (i) the Prevention and Combating of Corrupt Activities Act No. 12 of 2004;

**"Person"** includes an enterprise, partnership, trust, association, consortium, joint venture or a juristic person;

**"Petty cash"** means a relatively small amount of cash kept at hand for making immediate payment for miscellaneous small expenses incurred the municipality.

**"Preferential Procurement Regulations"** means the Preferential Procurement Regulations, 2011 contained in Government Notice R 502 of 8 June 2011 promulgated in Government Gazette No. 34350 of this date;

**"Procurement"** means the processes leading to the negotiation and conclusion of contracts whether in writing or verbally for the acquisition of goods, services or construction works or any combination thereof or the disposal of assets whether movable or immovable or any rights in such assets by means of purchase, sale, lease or donation and includes the preparation of all associated bid and contractual documentation and **"procured"** or **"procuring"** has a similar meaning;

**"Quotation"** means a stated price that a supplier expects to receive for the provision of specified services, goods or works;

**"Responsive bid"** means a bid that complies in all material aspects with the requirements set out in or contained in an invitation to bid including the applicable specification;

**"Small enterprise"** means a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule to the National Small Business Act No. 102 of 1996 which is contained in Annexure B to this policy and classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned

*me*



in columns 3, 4 and 5 of the said schedule;

**"Sole providers"** can be broadly defined as manufacturers, licence holders, publishers, intellectual property holders or service providers appointed by a sole provider as their sole agent or distributor in a specific area;

**"Stipulated minimum threshold"** means that portion of local production and content as determined by the Department of Trade and Industry from time to time;

**"Sub-contract"** means the primary contractor's assigning, leasing, making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of a contract;

**"Rand value"** means the total estimated value of a contract in South African currency excise duties;

**Calculated at the time of bid invitations, and includes all applicable taxes and**

**"SANAS"** means the South African National Accreditation System;

**"Total revenue"** bears the same meaning assigned to this expression in the Codes of Good Practice;

**"Trust"** means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person;

**"Trustee"** means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person;

**"Treasury guidelines"** means any guidelines on supply chain management issued by the Minister of Finance in terms of section 168 of the Municipal Finance Management Act;

**"The Regulations"** means the Local Government: Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

**"Verbal Quotations"** means a verbal process of inviting quotations from an identified limited number of potential suppliers for the supply goods, services and/or works;

**"Verification Certificate"** means a B-BBEE certificate issued in compliance with the B- BBEE Codes of Good Practice and all Sector Codes issued in terms of Section 9(1) of the Broad-Based Black Economic Empowerment Act;

**"Written quotations"** means quotations referred to in paragraph 12 (1) (c) of this policy

**CHAPTER 1**

**IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

**2. Supply chain management policy**

- (1) All officials and other role players in the supply chain management system of the municipality must implement this policy in a way that -
- (a) gives effect to –
    - (i) Section 217 of the Constitution; and
    - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
  - (b) is fair, equitable, transparent, competitive and cost effective;
  - (c) complies with –
    - (i) the Regulations; and
    - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act
  - (D) is consistent with other applicable legislation;
  - (e) Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - (f) is consistent with national economic policy concerning the promotion of investments and the conduct of business with the public sector.
- (2) This policy applies when the municipality -
- (A) Procures goods or services or undertakes construction works through a procurement process;
  - (b) Disposes of goods no longer needed;
  - (c) selects contractors to provide assistance with the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
  - (d) Selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including, but not limited to -
- (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.

- (4) Notwithstanding anything to the contrary in this policy, the municipality shall not award a contract to a contractor in respect of the undertaking, carrying out or completion of any construction works or a portion thereof in terms of a competitive bidding or quotation process provided for in this policy unless such contractor is registered with the Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act No. 32 of 2000 and holds a valid registration certificate issued by such Board or is exempted from such registration either in terms of this Act or the "CIDB Regulations".

### **3. Amendment and adoption of the supply chain management policy**

- (1) The accounting officer must –
- (i) at least annually review the implementation of this policy; and
  - (ii) When necessary, submit proposals for the amendment thereof to the council through the Mayor acting in conjunction with the mayoral committee.
- (2) If the accounting officer submits proposed amendments to this policy to the council, he must ensure that same comply with the Regulations and Treasury guideline standards determining standards for municipal supply chain management policies.
- (3) The accounting officer must report any deviation from the Regulations and Treasury guideline standards determining standards for municipal supply chain management policies to the National and Eastern Cape Provincial Treasuries.
- (4) When amending this policy, the need for uniformity in supply chain practices, procedures and forms between all spheres of organs of state particularly to promote accessibility of supply chain management systems for small businesses, must be taken into account.

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

- (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable him –
- (a) To discharge the supply chain management responsibilities conferred on accounting officers in terms of –
    - (i) Chapters 8 or 10 of the Act; and
    - (ii) This policy; and
  - (b) To maximize administrative and operational efficiency in the implementation of this policy; and
  - (c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this policy; and
  - (d) To comply with his responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).

- (3) The accounting officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this policy.

## 5. Sub - delegations

- (1) The accounting officer may, in terms of section 79 of the Act, sub-delegate any supply chain management powers and duties, including those vested in him in terms of legislation or delegated to him in terms of this policy or by resolution of the council, but any such sub-delegation must be consistent with subparagraph (2) and paragraph 4 of this policy.
- (2) The power to make a final award -
  - (a) above R5 million (VAT included) may not be sub-delegated by the accounting officer;
  - (b) above R200,000 (VAT included), but not exceeding R5 million (VAT included), may be sub-delegated by the accounting officer but only to a bid adjudication committee of which the chief financial officer or a senior manager is a member;
  - (c) not exceeding R200,000 (VAT included) may be sub-delegated by the accounting officer but only to -
    - (i) the chief financial officer;
    - (iii) a manager directly accountable to the chief financial officer or a senior manager or a senior manager in the Finance Directorate; or
    - (iv) a bid adjudication committee.
- (3) An official or bid adjudication committee to whom or which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must, within five days of the end of each month, submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including -
  - (i) the amount of the award;
  - (ii) the name of the person to whom the award was made; and
  - (iii) the reason why the award was made to that person.
  - (iv) the status of the suppliers level of contribution
- (4) A written report referred to in subparagraph (3) must be submitted-
  - (a) to the accounting officer, in the case of an award by -

*mm*

- (i) the chief financial officer;
  - (ii) a manager directly accountable to the chief financial officer or senior manager in the Finance Directorate; or
  - (iii) a bid adjudication committee
- (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by -
- (i) a manager referred to in subparagraph (2)(c)(ii); or
  - (ii) a bid adjudication committee of which the chief financial officer or a senior manager was not a member.
- (5) Subparagraphs (3) and (4) do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.
- (8) **All delegation of powers must be acknowledged in writing with appended signatures by those assigned with such delegations to hold them responsible and accountable.**

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

- (1) A councillor cannot be a member of a bid committee or any other committee evaluating or approving quotations, contracts or bids nor attend any meeting of such committees as an observer
- (2) It is the prerogative of councillors to edit and discuss the SCM policy holistically on annual basis prior approval and adoption..
- (2) The council must maintain oversight over the implementation of this policy to ensure that the accounting officer implements all supply chain management activities in accordance therewith.
- (3) For the purposes of such oversight, the accounting officer must -
  - (a) within 30 days of the end of each financial year and, notwithstanding  
subparagraph 4, submit a report on the implementation of this policy to the council through its mayor;
  - (b) in case of an award referred to in paragraph 5. 2 (c)(i), submit to the Finance, Administration, Monitoring and Evaluation Portfolio Committee (FAME) of the council, on a monthly basis, a report containing at least the following information:
    - (i) the tender number;
    - (ii) the date of the meeting of the Bid Adjudication Committee;

MM  
JBK



- (iii) the name of the successful tenderer;
  - (iv) details of the tender concerned;
  - (v) the tender amount;
  - (vi) the locality of the successful tenderer or his place of business; and
  - (vii) the B-BBEE status of the successful tenderer.
- (c) whenever there are serious and material problems in the implementation of this policy, the report referred to in subparagraph (b) must state the nature of such problems and contain a recommendation on whether or not same must be considered by the council.
- (4) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of this policy to a meeting of the Finance, Administration, Monitoring and Evaluation Portfolio Committee (FAME) of the council.
- (5) The aforesaid reports must be made public in accordance with section 21A of the Municipal Systems Act.
- (5) A report on all tenders awarded annually must be incorporated into the annual report of the council.

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

- (1) A supply chain management unit is hereby established to implement this policy.
- (2) Subject to subparagraph (3), the supply chain management unit shall operate under the direct supervision of the chief financial officer to whom this duty is hereby delegated by the accounting officer in terms of section 79 of the Act.
- (3) Where, due to operational reasons, the council appoints a senior manager to be responsible for the direct supervision of the supply chain unit referred to in subparagraph (1), the application and implementation of this policy and the municipality's supply chain management system, the accounting officer shall, in terms of section 79 of the Act, delegate appropriate duties, functions and powers to such senior manager to enable him to perform his duties aforesaid and such senior manager shall be included in the definition of "designated official" in section 1 of this policy.
- (6) Where the council appoints a senior manager in terms of subparagraph (3) for the purposes stated therein, any reference to the chief financial officer in paragraph 5 (2) of this policy shall be construed as reference to the said designated official acting after consultation with the chief financial officer.
- (7) Where the senior manager has been appointed in terms of (6) above, it must be strictly stated that he/she should report directly to the CFO.

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

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

level requirements.



## **CHAPTER 2**

### **SUPPLY CHAIN MANAGEMENT SYSTEM**

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

This policy provides systems for –

##### **Part 1:**

- (i) Demand management;

##### **Part 2**

- (ii) Acquisition management;

##### **Part 3**

- (iii) Logistics management;
- (iv) Disposal management;
- (v) Risk management; and
- (vi) Performance management.

#### **Part 1: DEMAND MANAGEMENT**

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

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality supports its operational commitments and its strategic goals as outlined in the municipality's Integrated Development Plan.
- (2) The demand management system must -
  - (a) include timely planning and management processes to ensure that all goods, services and works required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates and are of the appropriate quality and quantity procured at a fair cost;
  - (b) take into account any benefits of economies of scale that may be derived in the case of procurements of a repetitive nature;
  - (c) provide for the compilation of the required specifications to ensure that municipal needs are met;
  - (d) allow for the undertaking of appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

*me*

(3) The accounting officer must, prior to issuing an invitation to bid-

- (a) properly plan for, and, as far as possible, accurately estimate the costs for the provision of goods, services and/or works for which an invitation to bid is to be issued;
- (b) determine the appropriate preference point system to be utilized in the evaluation and adjudication of bids to be received in response to the contemplated invitation to bid; and
- (c) determine whether the goods, services and/or works for which an invitation to bid is to be issued has been designated for local production and content in terms of section 9 of the Preferential Procurement Regulations and paragraph 29 (5) of this policy.

(4) The accounting officer must indicate in an invitation to submit a bid and in the applicable bid specification or terms of reference-

- (a) that such bid will be evaluated on functionality and, in such event, the following shall be clear stated:
  - (i) the evaluation criteria for measuring functionality which criteria must be objective;
  - (ii) the weight of each criterion which should not be generic but be determined separately for each bid on a case by case basis;
  - (iii) the applicable values that will be utilized when scoring each criterion which values must be objective;
  - (iv) the minimum qualifying percentage scored for functionality should be stated prior in order for bids to be further evaluated for price in terms of this policy.
  - (v) Values will always range from 1 – 5 inter alia:- 1 = Poor; 2 = Acceptable; 3 = Good; 4 = Very Good & 5 = Excellent. Scoring of points by Bid Evaluation Committee members will always be subjective.
- (b) the fact that no bid will be regarded as an acceptable bid if the bidder or the goods, services and/or works to be procured, as the case may be, fails to achieve the minimum qualifying score for functionality as indicated in the invitation to bid and the relevant bid specification or terms of reference; and
- (c) Preference points as per Preference Procurement Regulations 2011 promulgated on 7 December 2011 will be added on points scored for price to determine the final score of each bid/bidder
- (d) That bids that have achieved the minimum qualification score for functionality will be evaluated further in terms of the preference point systems referred to in paragraphs 29(3) and 29(4) of this policy (point "c" should be numbered "b" vice versa).

(5) Any system designed in terms of this paragraph shall take cognizance of the provisions of this policy.



## Part 2: Acquisition management

### 11. System of acquisition management

- (1) The accounting officer must implement an efficient system of acquisition management in order to ensure -
  - (a) that goods, services and works are procured by the municipality in accordance with authorized processes only;
  - (b) that expenditure on goods, services and works is incurred in terms of an approved budget in terms of section 15 of the Act;
  - (c) that the threshold values for the different procurement processes are complied with;
  - (d) that bid documentation, evaluation and adjudication criteria and the general conditions of a contract, are in accordance with any applicable legislation; and
  - (e) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) When procuring goods or services from an organ of state as contemplated in section 110 (2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -
  - (a) the kind of goods or services; and
  - (d) the name of the supplier.

### 12. Range of procurement processes

- (1) Goods and services may only be procured by way of -
  - (a) petty Cash purchases to a transaction value of R200 (VAT included) for items specified in municipality's Petty Cash policy as being of a minor nature;
  - (b) at least one (1) written price quotation for procurements of a transaction value over R 201 to R 10 000 (VAT Included)
  - (c) at least three formal written quotations for procurements of a transaction value over R10 001 up to R30 000 (VAT included).
  - (d) Above R 30 000 up to R 200 000 (VAT included) should be advertised on the municipal website, notice boards and accessible public buildings for a period of seven (7) working days.
  - (e) a competitive bidding process for -

- (i) Procurements above a transaction value of R200 000 (VAT included); and
  - (ii) the procurement of long term contracts.
- (2) The accounting officer may, in writing
- (a) lower but not increase, the different threshold values specified in subparagraph (1) above; or
  - (b) direct that one written quotation be obtained for any specific procurement of a transaction value lower than R10 000.
  - (c) direct that three (3) formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000; or
  - (d) direct that a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 through advertisements on the website for a period of seven (7) working days;
- (3) Calls for quotations and bids for the procurement of goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of this policy or any applicable legislation. When determining transaction values, a requirement for goods or services consisting of different parts or items must, as far as possible, be treated and dealt with as a single transaction.

### **13. Broad Based Black Economic Empowerment Status Level Category Enterprises**

In order to promote B-BBEE and comply with applicable legislation including the Codes of Good Practice, this policy recognizes the following special categories of bidders and suppliers:

#### **13.1 Exempted Micro-Enterprise**

- (a) An exempted Micro-Enterprise (EME) is an entity with an annual turnover of R5 million or less provided that this amount may be reduced in accordance with sector charter thresholds for specific sectors or industries.
- (b) The current thresholds for the Tourism and Construction Sector charters are R2.5 million and R1.5 million respectively.
- (c) Exempted Micro-Enterprises are deemed to possess a B-BBEE Status of "Level Four Contributor", having B-BBEE procurement recognition of 100%.
- (d) An Exempted Micro-Enterprise qualifies for a promotion to a B-BBEE Status of "Level Three Contributor" having a B-BBEE procurement recognition of 110% if it is more than 50% owned by black people or by black women.
- (e) Exempted Micro-Enterprises are allowed to be measured in terms of the QSE scorecard contained in the applicable code of good practice in the event of them wishing to maximize their points and move to the next procurement recognition level.

- (f) Sufficient evidence of qualification as an Exempted Micro-Enterprise is an auditor's certificate or similar certificate issued by an accounting officer of a closed corporation or a verification agency accredited by SANAS.

### 13.2 Qualifying Small Enterprise

- (a) Any enterprise with an annual Total Revenue of between R5 million and R35 million qualifies as a Qualifying Small Enterprise.
- (b) Enterprises claiming qualifying small enterprise status must include in any bid submitted to the municipality, an original and valid B-BBEE status level certificate or a certified copy thereof, substantiating their B-BBEE rating. This certificate must be issued by a verification agency accredited by SANAS or a Registered Auditor approved by the Independent Regulatory Board of Auditors.

### 13.3 Start-up enterprises

- (a) Start-up enterprises must be measured as Exempted Micro-Enterprises for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the start-up enterprise.
- (b) Start-up Enterprises are deemed to have a "B-BBEE Status of Level Four Contributor".
- (c) In order to qualify as a Start-up Enterprise, the enterprise must provide an independent confirmation of its status.
- (d) Despite subparagraphs (a) and (b), Start-up Enterprises must submit a QSE Scorecard when tendering for any contract or seeking any other business with a value higher than R5 million but less than R35 million. For contracts above R35 million, they should submit the generic scorecard. The preparation of such scorecards must use annualized data.
- (e) The accounting officer shall reserve the right to require a Start-up Enterprise referred to in subparagraph (d) to submit a verification certificate issued by either a verification agency approved by SANAS or a Registered Auditor approved by the Independent Regulatory Board of Auditors.

### 14. General preconditions for consideration of written quotations or bids

- (1) A written quotation or bid may not be considered unless registered in the Makana Municipal database -
  - (a) has furnished his / her -
    - (i) full name or names including trading name;
    - (ii) identification number or company or other registration number;
    - (iii) tax reference number and VAT registration number, if any;
  - (b) In the case of formal written quotations, that is transactions exceeding R 10 000.00 to R200 000.00 including VAT:
    - (i) a valid original Tax Clearance Certificate must accompany the bid documents

*ML*  
*T&L*



unless the bidder is registered on the Accredited Supplier Database of the Municipality and the Municipality has a valid original Tax Clearance Certificate on record. The onus is on the service provider / bidder to ensure that the Municipality has a valid original Tax Clearance Certificate on record. If the South African revenue Services (SARS) cannot provide a valid original Tax Clearance Certificate; the bidder must submit a letter from SARS on a original SARS letterhead that their matters are in order.

- (d) has provided the municipality with a "Certificate of Independent Bid Determination" on Form MBD 9 or a similar form;
  - (e) has provided a certificate issued by the municipality or any other municipality to which he may be indebted to the effect that he and, in the event of the bidder being a company, also any of its directors, is not indebted to the municipality or to any other municipality or municipal entity for rates, taxes and/or municipal service charges which are in arrear for a period of more than three months and that no dispute exists between such bidder and municipality or municipal entity concerned in respect of any such arrear amounts;
  - (f) has submitted an affidavit certifying -
    - (i) that he is not in the service of the state or has been in the service of the state in the previous twelve months;
    - (ii) that, in the event of the bidder not being a natural person, none of its directors, managers, principal shareholders or stakeholders are in the service of the state nor have they been in the service of the state in the previous twelve months;
    - (iii) that neither his spouse, child or parent nor a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state or has been in the service of the state in the previous twelve months;
    - (iv) that he is not an advisor or consultant contracted by the municipality to advise it on the procurement under consideration;
- (2) This paragraph must be read in conjunction with paragraph 22 of this policy

#### 15. Lists of accredited prospective providers

- (1) The accounting officer must -
  - (a) keep a list of accredited prospective providers of goods and services that must be used for procurements through written or verbal quotations and formal written price quotations; and
  - (b) at least once a year through newspapers commonly circulating locally, the municipal website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers; and
  - (d) disallow the listing of any prospective provider whose name appears on the National



Treasury's database as a person prohibited from doing business with the public sector.

- (3) The aforesaid list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (4) As in terms of Paragraph 47, no award may be given to a person who is in the service of the State, it is expected of all prospective bidders to declare their interest in the application form for listing on the Accredited Supplier Database.
- (5) The aforesaid list must also be compiled per commodity and per type of service.

#### **16. Petty cash purchases**

- (a) Petty cash purchases may only be made in accordance with the Petty Cash policy of the municipality.
- (b) The accounting officer may delegate responsibility for the management of petty cash to an official directly or indirectly reporting to the chief financial officer.
- (c) No item that is an approved stores item may be purchased by means of a petty cash transaction.
- (d) No fixed asset regardless of value may be purchased through petty cash.
- (e) The council must, from time to time, determine the maximum amount of the permissible petty cash expenditure per month;
- (f) A weekly reconciliation report must be provided to the chief financial officer within five days of the end of each month by the official authorized to make petty cash purchases and such report shall contain particulars of each final award made by such official during that month, including:
  - (i) the total amount of petty cash purchases for that month; and
  - (ii) receipts and supporting documents for each purchase

#### **17. Written price quotations**

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

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not so listed, such providers must meet the listing criteria determined by the accounting officer in terms of paragraph 15(1) (c) of this policy;
- (b) To the extent feasible, providers must be requested to submit such quotations in writing;

- (c) The designated officer must record the names of the potential providers requested to provide quotations with their quoted prices; and

(d) If a quotation was submitted verbally, the order may be placed only against written confirmation of the price and conditions of supply from the selected provider within the period stipulated in the invitation to submit quotations

#### **18. Formal written price quotations – R 0 to R 10 000.00**

The conditions for the procurement of goods or services through formal written price quotations are as follows:

- (a) Quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- (b) In the event of it not being possible to obtain quotations from at least three different providers whose names appear on the list of accredited prospective providers of the municipality, quotations may be obtained from providers who are not so listed, provided that such providers meet the listing criteria determined by the accounting officer in terms of paragraph 15(1)(c) of this policy and, provided further, that the reasons for obtaining such quotations from the providers concerned must be recorded on the invitation to submit quotations and be approved by the chief financial officer.

#### **19. Procedures for procuring goods or services through written quotations and formal written price quotations – R 10 000.01 to R 200 000.00**

The procedure for the procurement of goods or services through written quotations or formal written price quotations is as follows:

- (a) When using the list of accredited prospective providers, the accounting officer must promote on going competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) Requirements for quotations above R 10 000 and up to R 30 000 may be procured by inviting written quotations from as many as possible providers on the prospective provider list.
- (c) Where no suitable providers are available from the list, quotations may be obtained from other possible providers not on the list.
- (d) Requirements for quotations above R 30 000 and up to R 200 000 must be advertised for at least 7 days on the website and an official notice board of the Municipality and deposited in the bid box specified by the specified time on the due date accompanied by a valid tax clearance certificate issued by SARS.
- (e) The AO must record the names of the potential providers and their written quotations
- (f) The Municipality must apply the prescripts of the PPPFA for procurement above R10 000.
- (g) Offers received must be evaluated on a comparative basis taking into account unconditional discounts;

- (h) Offers below R10 000 (all taxes included) must be awarded based on compliance with specifications, conditions of contract, ability, capacity and capability to deliver the required goods and/or services and lowest price; provided that the accounting officer may direct, in appropriate cases, that the applicable provisions of the Preferential Procurement Regulations be applied in respect of the calculation of preference points for price;
- (i) Offers above R10 000 (all applicable taxes included) must be awarded based on compliance with specifications, conditions of contract, ability, capacity and capability to deliver the required goods and/or services and lowest price provided that the accounting officer may direct, in appropriate cases, that the applicable provisions of the Preferential Procurement Regulations be applied in respect of the calculation of preference points for price;
- (j) Prior to the award of a contract with a price in excess of R10 000, the designated official must verify the status of recommended bidders (including their directors(s), owners(s) or trustee(s) by checking the Data Base of Restricted Suppliers maintained by National Treasury in order to ensure that no recommended bidder or any of its directors/owners/trustees are listed as companies or persons prohibited from doing business with the public sector;
- (k) A call for quotations in terms of the preceding paragraphs must be in writing and contain a specification for the goods and/or services to be procured as well as details of the preference points system to be used in adjudicating quotations;
- (l) Supply Chain Management may at any given time request user departments to assist with the evaluation of the quotations and the results of such evaluation shall be submitted to the Supply Chain Manager for approval;
- (m) The designated official must, in writing, notify the chief financial officer within 3 days after the end of each month of all written, verbal and formal written price quotations accepted or approvals given in terms of this paragraph;
- (n) In the event that responses are not obtained from the advertisement due to non- responsive quotations, the reasons must be recorded and approved by the CFO or an employee designated by him or her.
- (o) In the event that quotations have been invited for a service or product via the notice boards and website of the Municipality, no additional quotations need to be obtained should the number of responses be less than 3 (three).
- (p) The chief financial officer must ensure that adequate systems are in place to meet the requirements for proper record keeping;
- (q) The bid contract must be awarded to the bidder who scored the highest points in accordance with the stipulated preference points system.

## 20. Quotation Prices

All quotations prices shall be deemed to be fixed (not subject to contract price adjustments) unless otherwise stated in the quotation.

## **21. Nonresponsive quotations**

- Quotations that are non-responsive (i.e. technically unacceptable) will be disqualified.
- Quotations that do not respond to any of the technical requirements of the scope of work or do not meet any of the technical specifications outlined in the enquiry document.

## **22. Exemption from obtaining three (3) quotations**

The following procurement of goods, services or works shall be exempted from obtaining three (3) quotations, irrespective of the monetary value and the inclusion of service providers of service providers on the supply chain management accredited list of service providers. For all this exemptions the accounting officer authorizes the sourcing of 1 (one) quotation.

1. Newspaper adverts
2. Stamp and postage
3. Annual subscriptions and membership
4. Annual registration / licence fees
5. Registration and licencing
6. General repairs and maintenance of agent products
7. Medical products and services
8. Repairs for certificate of roadworthy
9. Newspapers for municipal libraries and other municipal offices
10. Strip and quote
11. The acquisition of food for municipal official attending to an emergency as stipulated in the Municipality's overtime Policy.

## **23. Competitive bidding process**

- (1) Subject to paragraph 11 (2) of this policy, goods, services or works above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process.
- (2) Subject to subparagraph (3), no requirement for goods or services above an estimated transaction value of R200 000 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
- (3) The accounting officer may split unduly large quantities of work into smaller contracts (units) to promote manageability and provide opportunities for emerging entrepreneurs. This procedure may only be followed when technically, logistically and financially feasible.
- (4) A senior manager responsible for a vote must submit the under-mentioned information to the chief financial officer prior to the publication of any public invitation of bids in respect of procurements estimated to exceed R10m (all taxes included):
  - (i) proof that budgetary provision exists for the procurement concerned;

- (ii) details of any ancillary budgetary implications related to the bid concerned;
  - (iii) details of any multi-year budgetary implications associated with a project which will be undertaken over a period of more than one year as well as details of the anticipated expenditure per financial year.
- (5) A procurement referred to in subparagraph (4) may only be advertised for competitive bids after the chief financial officer has verified in writing that budgetary provision exists to enable the relevant project to commence.
- (5) Procurement requirements referred to in subparagraph (4) may not be deliberately split into parts or items of lesser value merely to avoid the information being.

#### **24. Process for competitive bidding**

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

- (a) Compilation of bidding documentation as detailed in paragraph 25
- (b) Public invitation of bids as detailed in paragraph 26
- (c) Site meetings or briefing sessions as detailed in paragraph 26
- (d) Handling of bids submitted in response to public invitation
- (e) Evaluation of bids as detailed as detailed in paragraph 41
- (f) Award of contracts as detailed as detailed in paragraph 42
- (g) Administration of contracts - after the award of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping;
- (i) Original/legal copies of written contracts agreements should be kept in a secure place for reference and audit purposes.

#### **25. Bid documentation for competitive bids**

Bid documentation for a competitive bidding process must, in addition to compliance with the requirements listed in paragraph 14, comply with the following requirements:

- (a) Take into account -
  - (i) the general conditions of contract and any special conditions of contract, if specified;
  - (ii) any Treasury guidelines on bid documentation;
  - (iii) the requirements of the Construction Industry Development Board (CIDB), in the case of a bid relating to construction works;
  - (iv) relevant B-BBEE verification and certification requirements;



- (v) relevant local content or production requirements
- (b) Include the preference points system to be used in adjudicating bids, namely 80/20 or 90/10 as prescribed in the Preferential Procurement Regulations;
- (c) Compel bidders to declare, by means of an affidavit, any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) If the value of the transaction is expected to exceed R5 million (VAT included), require bidders to furnish -
  - (i) if the bidder is required by law to prepare annual financial statements for auditing, his audited annual financial statements -
    - (a) for the past three years; or
    - (b) since establishment, if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that he has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contracts;
  - (iv) a statement indicating whether or not any portion of the goods or services required by the municipality are expected to be sourced from outside the Republic, and, if so, what portion and also whether or not any portion of the payment to be made by the municipality is expected to be transferred out of the Republic; and
- (e) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) Joint Ventures must submit the following documents in order to qualify as a Bidders for Joint Ventures:-
  - Legal Agreement
  - BBBEE Certificate with the name of JV
  - Original Tax Clearance Certificate in the name of the JV
  - Company Composition Certificate in the name of the JV

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

- (1) The procedure for the invitation of competitive bids is as follows:
  - (a) any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality and in any other appropriate manner (which may include an advertisement in the Government Tender Bulletin); and

(b) the information contained in such public advertisement, must include -

- (i) subject to subparagraph 2, the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included) or which are of a long term nature or 14 days in any other case, reckoned from the date on which the advertisement is first placed in the aforesaid newspapers;
  - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
  - (iii) the date, time and venue of any compulsory site meeting or briefing session;
  - (iv) a statement to the effect that a bid from a prospective bidder who did not attend a prescribed compulsory site meeting or briefing session referred to in subparagraph (iii) will not be considered.
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 working days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or in any exceptional case where it is impractical or impossible to follow the official procurement process and such fact shall, for auditing purposes, be recorded in the authority to invite bids.
- (3) Bids submitted must be sealed and marked in a manner stipulated in the invitation to bid.
- (4) Where the municipality invites expressions of interest or bids for construction works with a value in excess of R30 000, it must publish such invitations on the website of the CIDB.
- (6) The municipality must also comply with the applicable provisions of the Standard for Uniformity in Construction Procurement contained in Board Notice No. 86 of 2010 issued by the Construction Industry Development Board insofar as such provisions relate to the invitation of bids.
- (7) Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred in the preparation and submission of a bid.

#### **27. Issuing of bid documentation**

- (i) Bid documents and any subsequent notices shall only be issued by the SCM department.
- (ii) A non-refundable bid charge, as required in the bid notice, may be raised by the municipality for the bid documents.
- (iii) Details of all prospective bidders who have been issued with bid documents shall be recorded by the SCM department. Such details shall include:
  - (a) The legal and full name of the person/company/close corporation/ firm drawing the documents;
  - (b) A contact person;
  - (c) A contact telephone number
  - (d) A contact fax number
  - (e) A postal address



- (f) A physical address
- (g) An e-mail address (if possible)

(iv) Details recorded as required above shall remain confidential for the duration of the bid period.

#### 28. Validity periods

- (a) The period for which bids are to remain valid and binding shall be indicated in the bid documents. The period is calculated from the closing time and bids shall remain in force and binding until the end of the final day of the period.
- (b) The period of validity may be extended by mutual consent in writing between the Municipality and the bidder, provided that the original validity period has not expired, and that all bidders shall have an opportunity to extend such period.
- (c) In the event that the events that the municipality failed to extend the bid validity period before its expiry date, such extension may be requested and granted by the municipal Manager.
- (d) If, in exceptional circumstances, it becomes necessary to extend the bid period, a notice shall be published in the press at least one week prior to the original bid closing date. This notice shall also be posted on the notice boards at municipal offices and a notice to all bidders of bids received at that stage to this effect shall be issued.
- (e) In the event that validity period is not indicated in the bid document the validity period shall remain 120 days AS PER INTERNATIONAL STANDARDS WHEN FUNDING IS FROM OUTSIDE RSA BUT ACCORDING TO RSA STANDARDS VALIDITY PERIOD WILL BE 90 DAYS..

#### 29. Increase in scope of work

The municipality has the right to increase the original scope of work by extending or modifying such scope of work after the conclusion of a contract without re-tendering, if:

- (a) Due to unforeseen circumstances, additional work becomes necessary in order to complete the project based on the original objective set out in the original bid document. The revised amount shall not exceed 15% of the original contract amount on goods and services whilst it will be 20% on infrastructure/construction contract projects..
- (b) Bid / contract scope of work shall only be recommended by the Bid Evaluation Committee for approval by the Bid Adjudication Committee provided that such bid / contract was initially considered by these committees.

#### 30. Samples

- (a) When samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered to the address mentioned in the bid documents by no later than the closing time and date of the bid.
- (b) If samples are not submitted as requested, the bid concerned may be declared non responsive.
- (c) Samples shall be supplied by a bidder at his own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and dispose of them at its own discretion.
- (d) Where a bid is accepted for the supply of goods according to a sample submitted by the bidder, such sample shall become the contract sample. All goods / materials supplied shall comply in all respects to the contract sample.
- (e) In the event that the service provider is unable to provide the goods/materials as per the contract sample, then the service provider must provide reasons and evidence to substantiate the difference, and the contract price shall be re-negotiated. The continued procurement shall be at the sole discretion of the Municipality.
- (f) ALL TERMS OF REFERENCE AND ADVERTISEMENTS MUST BE APPROVED BY THE A/O OR HIS/HER DELEGATE PRIOR GOING OUT TO BIDDERS AND PUBLIC.

### 31. Procedure for handling, opening and recording of bids

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

- (a) Bids -
  - (i) must be opened only in public;
  - (ii) must be opened at the same time and as soon as possible after the published closing time or period for the submission of bids; and
  - (iii) received after the published closing time or period should not be considered and be immediately returned to the bidder, unopened;
  - (iv) Bids or Request for Quotations (RFQ's) which arrive after the specified closing time or which arrive after the specified closing time or which are deposited at an incorrect tender box will be regarded as late or inadmissible Bids and will not be considered.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids before the closing time or period be read out and, if practical, also each bidder's total bidding price;
  - (a) As soon as a bid has been opened, the bid document shall be stamped with the official stamps, and where necessary, endorsed with the opening employee's signature.
  - (c) No information, except the information referred to in subparagraph (b), relating to a bid should be disclosed to bidders or other persons until the successful bidder is notified of the award of the

relevant bid; and

(d) The designated official opening received bids must -

- (i) record in a register to be provided for this purposes, all bids received before the closing time or period for the submission of same and such register shall contain as least the following information in addition to such information as may be prescribed in terms of section 75 of the Act:
  - (a) the reference number of the bid concerned;
  - (b) the description of the relevant goods, services or works project to be procured;
  - (c) the names of all bidders;
  - (d) the B-BBEE status level of contribution of all bidders, where applicable;
  - (e) the local content percentages of the goods offered, where applicable; and
  - (f) where practical, the total price submitted by all bidders that submitted bids in relation to the relevant bid invitation;
- (ii) make the aforesaid register available for public inspection during the normal office hours of the municipality; and
- (iii) publish the entries in the aforesaid register on the website of the municipality within ten (10) working days from the date referred to in subparagraph (i) and ensure that such entries remain on the website for a period of at least thirty (30) days from date of publication.

### 32. Invalid bids

- (a) Bids shall be considered as invalid and shall be endorsed and recorded as such (in the bid opening register) by the responsible employee who opened the bid, in the following instances:
  - (i) Where the bid document has not been signed
  - (ii) Where the bid form is signed, but the name of the bidder is not stated, or is impossible to read;
  - (iii) Where an original and valid tax clearance certificate is not submitted with the bid document on the closing date and time of the bid unless service provider has previously submitted a valid tax clearance certificate for the current year and section 29(5)(a)(i) of the Municipal Supply Regulations 2005 and section 14 of Preference Procurement Regulations 2011 have been taken into consideration.
  - (iv) Where a copy of the company registration certificate is not submitted with the bid on the closing date and time of the bid. ( except for sole traders and partnerships)

- (v) Where there is no proof that municipal rates and taxes are not in arrears;
- (vi) Where there is no proof that the bidder is leasing / sub – leasing a property and the lease / sub – lease agreement is not submitted with the bid document on the closing date and time of the bid
- (vii) Where original certified identities of all the directors is not submitted with the bid on the closing time and date of the bid

### 33. Negotiations with preferred bidders

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -
  - (a) does not allow any preferred bidder a second or unfair opportunity;
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted; and
  - (d) will not be contrary to any legal requirement or amount to a prohibited practice.
  - (e) when procuring goods and services from a single or sole provide.
- (2) Minutes of such negotiations must be kept for record and audit purposes.

### 34. Request for withdrawal of a Bid

Where a bidder requests in writing, after the closing of bids prior to the evaluation and adjudication process, that the bid be withdrawn, then such a request may be granted by the Municipal Manager if it is in the best interest of the Municipality.

### 35. Annual Bids

- (a) Where different selections of items are required from the same bid and it is not possible or practical to split the orders, then the adjudication process will have to be carried out in respect of each application. Individual orders will then be placed (or contracts awarded) on the basis of the highest total adjudication points received per allocation.
- (b) Where the selected service provider in terms of the bid adjudication process followed, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing, then the bidder with the next highest adjudication points may be selected.

### 36. Two-stage bidding process

- (1) A two-stage bidding process is permissible for -
  - (a) large complex projects;

- (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
  - (c) long term projects with a duration period exceeding three years.
- (2) In the first stage, technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
  - (3) In the second stage, final technical proposals and priced bids should be invited

## PRINCIPLES

1. Subject to prior approval by the AO or delegated authority, the Municipality may engage in procurement by means of two-stage bidding, or request for proposals, in the following circumstances:
2. If it is not feasible for the Municipality to formulate detailed specifications for the goods or construction or, in the case of services, to identify their characteristics and, in order to obtain the most satisfactory solution to its procurement needs.
3. If it seeks bids, proposals or offers as to various possible means of meeting its needs.
4. When the Municipality seeks to enter into a contract for the purpose of research or study.

## OPERATIONAL

1. Normally the invitation to bid for major contracts is preceded by a detailed design and engineering of the goods, services and works to be provided, including the preparation of technical specifications and other bidding documents. However, in the case of turnkey contracts or contracts for large complex plants or works of a special nature, it may be undesirable or impractical to prepare complete technical specifications in advance. In such a case, a two-stage bidding procedure may be used, under which first un-priced technical proposals on the basis of a conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments, to be followed by amended bidding documents and the submission of final technical proposals and priced bids in the second stage.
2. These procedures are also appropriate in the procurement of equipment, which is subject to rapid technological advances, such as major computer and communications systems.
3. The method of evaluation, including the allocation of points, must be clearly specified in the bidding documents.
4. Further directives in this regard may be issued by the relevant Treasury or the SCM Unit.
5. Evaluation of Two- stage bidding:

First functionality must be assessed and then in accordance with the Preference Points System prescribed in Preferential Procurement Regulations.



**(1) First stage evaluation of functionality:**

1. Evaluate bids in terms of the evaluation criteria embodied in the bid documents. Amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids is not allowed as this may jeopardize the fairness of the process.
2. Consider a bid if it achieves the prescribed minimum qualifying score for functionality.
3. Bids that fail to achieve the minimum qualifying score for functionality must be disqualified.
4. Score sheets should be prepared and provided to panel members to evaluate the bids.
5. The score sheet should contain all the criteria and the weight for each criteria as well as the values to be applied for evaluation as indicated in the bid documents.
6. Each panel member should after thorough evaluation independently his/her own value to each individual criteria.
7. Score sheets should be signed by panel member as if necessary, written motivation may be requested by panel members were vast discrepancies in the values awarded for each criterion exists
8. If the minimum qualifying score for functionality is indicated as a percentage in bid documents, the percentage scored for functionality may be calculated as follows:
  - Value awarded for each criterion should be multiplied by the weight for the relevant criterion to obtain the score for the various criteria;
  - The score for each criterion should be added to obtain the total score; and
  - The following formula should be used to convert the total score to percentage for functionality:

where

PS = percentage scored for functionality by bid under consideration

SO = total score of bid under considerations

MS = Maximum possible score

9. Percentage of each panel member should be added and divided by the number of panel members to establish the average percentage obtain by each bidder for functionality.

**(2) Second stage: Evaluation in terms of the 80/20 or 90/10 preference points system**

1. Only bids that achieve the minimum qualifying score/ percentage for functionality must be evaluated further in accordance with the 80/20 or 90/10 preference points systems prescribed in preferential procurement regulations.

MM  
JBK





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

- (1) The accounting officer shall establish a procurement committee system for competitive bids consisting of at least the following committees:
  - (a) a bid specification committee;
  - (b) a bid evaluation committee; and
  - (c) a bid adjudication committee;
- (2) The accounting officer shall, in writing, appoint the members of each committee in respect of each competitive bid invitation, taking into account the provisions of section 117 of the Act in terms of which no councillor may be a member of any such committee nor attend any of its meetings as an observer.
- (3) A neutral or independent observer, appointed by the accounting officer, may attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with -
  - (a) paragraphs 28, 32 and 33 of this policy; and
  - (b) any other applicable legislation.
- (5) The accounting officer may, in appropriate cases and in his sole discretion, apply the committee system to formal written price quotations.
- (6) The following persons shall not be eligible to become members of a bid committee -
  - (a) A councillor of any municipality; and
  - (b) A member of the Municipality's audit committee or performance audit committee
  - (c) No councillor of any municipality may attend a meeting of a bid committee in any capacity, nor may a councillor make a presentation or representations to or conduct an interview with a bid committee in any capacity.
  - (d) A majority of the members of Bid committee must be present before the committee concerned may consider any matters and the quorum must be (50+1).

### **38. Bid specification committees**

- (1) A bid specification committee must compile the specifications or, where applicable, the terms of reference for the procurement of goods, services or works by the municipality.
- (2) A bid specification committee must be composed of one or more officials of the municipality preferably the line manager responsible for the function concerned and may, when appropriate, include external specialist advisors.

- (3) 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.
- (4) Where a bid specification or terms of reference are compiled with due regard to the findings and recommendations contained in a prior, associated feasibility study, the person, advisor or corporate entity who or which prepared the said feasibility study may be prohibited from bidding for the resulting contracts in circumstances where such person, advisor or corporate entity may or is likely to obtain an unfair advantage or where a conflict of interest may arise.
- (5) A specification or terms of reference referred to in this paragraph must be approved by the accounting officer in writing prior to publication of the invitation for bids in terms of paragraph 23.

### **39. Bid Specifications or Terms of Reference**

#### **39.1 General Requirements**

Bid Specifications or terms of reference, as the case may be –

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services to the municipality;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- (e) may not make 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 word "equivalent";

#### **39.2 Functionality**

Where functionality is utilized as an evaluation criterion, bid specifications or terms of reference, as the case may be, must clearly specify:

the evaluation criteria for measuring functionality which criteria must be objective, the weight of each criterion, the applicable values and the minimum qualifying score for functionality; and

*me*

(ii) the fact that no bid will be regarded as an acceptable bid if it or the relevant bidder fails to achieve the minimum qualifying score for functionality as indicated in the bid specification or terms of reference concerned; and

(iii) that bids or bidders that have achieved the minimum qualification score for functionality will be evaluated further in terms of the preference point systems referred to in subparagraphs 29.3 and 29.4 below.

### 39.3 80/20 Preference Points System

(3.1) Where applicable, bid documentation must include the following preference points evaluation system for the procurement of goods, services or works up to a Rand value of R1 000 000 (all applicable taxes included):

(i) the following formula will be used to calculate the points for price in respect of bids (including price quotations) with a Rand value equal to, or above R 10 000 and up to a Rand value of R1 000 000 (all applicable taxes included):

$$Ps = 80 - \left[ \frac{Pt - Pmin}{Pmin} \right]$$

Where:

$P_s$  = Points scored for comparative price of bid or offer

under consideration;

$P_t$  = Comparative price of bid or offer under consideration; and .

$P_{min}$  = Comparative price of lowest acceptable bid or offer.

- (ii) subject to subparagraph (iii), points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the following tables:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

O  
r

In respect of Exempted Micro Enterprises (EME's)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Preference Points
More than 50%	3	16
Less than 50%	4	12

- (iii) a maximum of 20 points may be allocated under subparagraph (ii);
- (iv) the points scored by a bidder in respect of B-BBEE contribution contemplated in subparagraph (ii) must be added to the points scored for price as calculated in accordance with subparagraph (i);

(3.2) The B-BBEE status level attained by a bidder must be used to determine the number of points contemplated in subparagraph 3.1 (ii) above.

(3.3) Bid documentation must also must provide that, in the event of all bids received exceeding the estimated Rand value of R1 000 000, the bid invitation will be cancelled, provided that if one or more of the acceptable bids received are within the aforesaid threshold of R1 000 000, all bids received will be evaluated in accordance with this preference point system

*me*

**39.4 90/10 Preference Points System**

(4.1) Where applicable, bid documentation must include the following preference points evaluation system for the procurement of goods, services or works with a Rand value above R1 000 000 (all applicable taxes included):

- (i) the following formula will be used to calculate the points for price in respect of bids with a Rand value above R1 000 000. (all applicable taxes included):

$$Ps = 90 \left[ 1 - \frac{Pt - Pmin}{Pmin} \right]$$

Where:

Ps = Points scored for comparative price of bid or offer under consideration;

Pt = Comparative price of bid or offer under consideration; and

Pmin = Comparative price of lowest acceptable bid or offer.

- (ii) subject to subparagraph (iii), points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the following tables:

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

Or

In respect of Exempted Micro Enterprises (EME's)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Preference Points
More than 50%	3	8
Less than 50%	4	5

- (iii) a maximum of 10 points may be allocated under subparagraph (ii) above.

- (iv) the points scored by a bidder in respect of the level of B-BBEE contribution

*mm*  
*JBK*

contemplated in subparagraph (ii) must be added to the points scored for price as calculated in accordance with subparagraph (i);

(4.2) The B-BBEE status level attained by a bidder must be used to determine the number of points contemplated in subparagraph 4.1 (ii) above.

(4.3) Bid documentation must also provide that, in the event of all bids received being equal to, or below R1 000 000, the invitation to bid will be withdrawn

and all bids received shall be regarded as having been cancelled provided that, if one or more of the acceptable bids received are above the prescribed threshold of R 1 000 000, all bids received will be evaluated in accordance with this preference point system.

### 39.5 Local Production

(5.1) Where, in the case of bids in designated sectors, local production and content is of critical importance, the relevant bid documentation must clearly state, as a bid condition, that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content, will be considered.

(5.2) The relevant bid documentation must also stipulate:

(a) that the exchange rate to be used for the calculation of local content or local production will be the exchange rate published by the South African Reserve Bank at 12:00 on the date, one week (7 calendar days) prior to the closing date of the invited bid;

(b) that only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:201x will be used to calculate local content in accordance with the following formula:

$$LC = 1 - \frac{X}{Y} \times 100$$

Where

x imported content

y bid price excluding value added tax (VAT)

and that the prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the South African Reserve Bank at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid;

(c) that Form MBD 6.2 (Declaration Certificate for Local Content) issued by National Treasury, duly completed and signed, must form part of the bid documentation;

(d) that the municipality reserves the right to verify the accuracy of the rates of quoted by the bidder in paragraph 4.1 of the aforesaid Certificate



- (5.3) The accounting officer may decide to include in any bid documentation a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by National Treasury in consultation with the Department of Trade and Industry and, in such event, the requirements stipulated in subparagraph 5.2 shall be inserted in the relevant bid documentation.
- (5.4) Where necessary, bid documentation for bids referred to in subparagraph 5.1 may state that a two- stage bidding process will be followed, where the first stage will involve functionality and minimum threshold for local production and content and the second stage price and B-BBEE status with the possibility of price negotiations only with the short listed bidders with a view to effecting cost savings in circumstances where the tendered prices are obviously inflated or to ensure the award of the bid concerned within budgetary constraints provided that, where such negotiations take place, the principles contained in paragraph 25.1 of this policy shall be applied.
- (5.5) Any bid specification issued in terms of this subparagraph must be capable of being measured and audited.

#### 39.6 B-BBEE status level certificates and scorecards

Bid documentation must provide that:

- (i) Those bidders who qualify as Exempted Micro Enterprises (EME's) in terms of the Broad-Based Black Economic Empowerment Act, must submit, together with their bid, a certificate to this effect issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporations Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency provided that a certificate issued by an Accounting Officer of a closed corporation must be on his letterhead which should also contain his practice number and contact number clearly specified on the face of such certificate.
- (ii) Bidders other than Exempted Micro-Enterprises (EME's) must submit, with their bid, their original and valid B-BBEE Status Level Verification Certificate complying at least with the provisions of subparagraphs (v) and (vi) below, or a certified copy thereof, in support of their B-BBEE rating.
- (i) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as a legal entity, provided its submits its B-BBEE Status Level Verification Certificate with its bid.
- (iv) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as an unincorporated entity, provided that it submits its consolidated B-BBEE scorecard as if were a group structure and, provided further, that such a consolidated B-BBEE scorecard is prepared for every separate bid.
- (v) As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should

*mm*  
*JSK*

have the following information detailed on the face of the certificate:

- ▢ The name and physical location of the measured entity;
  - ▢ The registration number and, where applicable, the VAT number of the measured entity;
  - ▢ The date of issue and date of expiry;
  - ▢ The certificate number for identification and reference purposes;
  - ▢ The scorecard that was used (for example EME, QSE or Generic);
  - ▢ The name and / or logo of the Verification Agency;
  - ▢ The SANAS logo
  - ▢ The signature of the authorized person from the Verification Agency concerned;  
and
  - ▢ The B-BBEE Status Level of Contribution obtained by the measured entity.
- (vi) The format and content of B-BBEE Status Level Verification Certificates issued by registered auditors approved by the Independent Regulatory Board of Auditors (IRBA) must -
- ▢ Clearly identify the B-BBEE approved registered auditor by the auditor's individual registration number with IRBA and the auditor's logo;
  - ▢ Clearly record an approved B-BBEE Verification Certificate identification reference in the format required by SANAS;
  - ▢ Reflect relevant information regarding the identity and location of the measured entity;
  - ▢ Identify the Codes of Good Practice or relevant Sector Codes applied in the determination of the scores;
  - ▢ Record the weighting points (scores) attained by the measured entity for each scorecard element, where applicable, and the measured entity's overall B-BBEE Status Level of Contribution;
  - ▢ Reflect that the B-BBEE Verification Certificate and accompanying assurance report issued to the measured entity is valid for 12 months from the date of issuance;
  - ▢ Reflect both the issuance and expiry date of the Verification Certificate.

### 39.7 Additional Conditions

Bid documentation must include a reference to the following additional conditions, where applicable:

#### 39.7.1 Sub-contracting

- (a) A bidder will not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a bidder qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the

capability and ability to execute the sub-contract.

2. A bidder awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the bidder concerned, unless the contract is sub-contracted to an exempted micro enterprise that has the capability and ability to execute the sub- contract.

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

### **39.8 Miscellaneous Special Conditions of Contract**

Bid documentation must, inter alia, include the following conditions as Special Conditions of Contract:

#### **39.8.1 General**

- (a) Only a bidder who has completed and signed the declaration part of a bid may be considered;
- (b) When comparative prices must be calculated, any discounts which have been offered unconditionally will be taken into account;
- (c) A discount which has been offered conditionally will, despite not being taken into account for evaluation purposes, be implemented when payment to a bidder in respect of an accepted bid is effected;
- (d) Points scored in any applicable scoring system will be rounded off to the nearest 2 decimal places.
- (e)
  - (i) In the event that two or more bids score equal total points, the successful bid will be the one scoring the highest number of preference points for B- BBEE;
  - (ii) However, when functionality is part of the evaluation process and two or more bids have scored equal points including equal preference points for B-BBEE, the successful bid will be the one scoring the highest score for functionality.
- (ii) Should two or more bids be equal in all respects, the award shall be decided by the drawing of lots.

#### **39.8.2 Cancellation of a bid invitation**

- (a) The accounting officer may, prior to the award of a bid, by notice in the media in which the original bid was advertised, cancel such bid invitation if, due to changed circumstances, there is no longer a need for the goods, services or works requested or if funds are no longer available to cover the total envisaged expenditure or if no acceptable bids are received.

#### **39.8.3 Declarations**

- (a) A bidder must -

mm  
JBK

- (i) declare that the information provided in any bid document is true and correct;
- (ii) declare that the signatory to a bid document is duly authorized; and
- (iii) undertake to submit documentary proof regarding any bidding issue when required to the satisfaction of the municipality.

#### 39.8.4 Remedies

- (a) In addition to the action contemplated in paragraph 41 of this policy which shall be read in conjunction with this subparagraph:
  - (i) The municipality will, upon detecting that the B-BBEE status level of contribution has been claimed or obtained by a bidder on a fraudulent basis or any of the conditions of a contract awarded to such bidder or person have not been fulfilled, act against such bidder or person.
  - (ii) The municipality may, in addition to any other remedy it may have against the person contemplated in subparagraph (i) above -
    - (a) disqualify the person concerned from participating in any future bidding process with the municipality;
    - (b) recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;
    - (c) cancel the relevant contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;
  - (iii) The municipality may restrict a bidder or contractor, its shareholders and directors or only the shareholders and directors, as the case may be, who acted on a fraudulent basis in connection with a bid, from obtaining business from the municipality for a period not exceeding 10 years, provided that, before exercising this right, the municipality shall give the persons or parties concerned an opportunity to make representations and be heard in defence of such contemplated action; and
  - (iv) The municipality may refer any fraudulent action on the part of a bidder or contractor or any party aforesaid to the South African Police Services with a view to criminal prosecution.
- (b) Where a bidder or contractor is restricted in terms of subparagraph (h)(iii) above, the accounting officer shall forward the relevant details to National Treasury for inclusion in the Central Database of Restricted Suppliers.

#### 39.9 Savings

- (a) In terms of section 7 of the Preferential Procurement Regulations, a contract may be awarded to a bidder that did not score the highest number of points only in accordance with section 2 (1)(f) of the Preferential Procurement Policy Framework Act No. 5 of 2000.
- (b) In the application of section 2 (1)(f) of the aforesaid Act, the accounting officer may, for

justifiable reasons which must be substantiated, explicitly determine in any bid documentation that a bidder shall be required to attain a specific goal or goals other than and excluding the goals of contracting with historically disadvantaged persons and implementing Reconstruction and Development Programmes in order to qualify for the award of a contract.

#### **40. Procurement from tertiary institutions**

- (a) Where the municipality is in need of a service provided by only tertiary institutions, such services must be procured through a bidding process with the identified tertiary institutions.
- (b) Tertiary institutions referred to in subparagraph (a) will be required to submit their B- BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.
- (c) Should the municipality require a service that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a contractor will be done by means of a bidding process.
- (d) Public entities must be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.
- (e) For purposes of this paragraph, a bidding process includes a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of services, through price quotations, advertised competitive bidding processes or proposals.

#### **41. Re-invitation of bids**

The accounting officer must re-invite bids cancelled in terms of paragraphs 29 (3.3) and 29 (4.3) and must, in the new bid documents, stipulate the correct preference point system to be applied.

#### **42. Bid evaluation committees**

- (1) A bid evaluation committee must, as far as possible, be composed of-
  - (a) officials from departments requiring the goods, services or works; and
  - (b) at least one supply chain management practitioner of the municipality.
- (2) A bid evaluation committee must -
  - (a) evaluate bids in accordance with the relevant bid specification or terms of reference, as the case may be, inclusive of unconditional discounts, sub- contracting and this policy; and
  - (b) evaluate each bidder's ability to execute the contract provided that, where bids are invited on the basis of functionality as a criterion, they must be evaluated in the following two stages:
    - (i) **First stage - evaluation of functionality**
      - (a) bids must be evaluated in terms of the evaluation criteria embodied in the bid specification or terms of reference, as the case may be. The amendment of evaluation criteria, weights, applicable values and/or

Mc  
JBK



the minimum qualifying score for functionality after the closure of bids is not allowed as this may jeopardize the fairness of the process;

- (b) a bid will be considered further if it achieves the prescribed minimum qualifying score for functionality;
- (c) bids that fail to achieve the minimum qualifying score for functionality must be disqualified;
- (d) score sheets should be prepared and provided to panel members to evaluate the bids;
- (e) a score sheet should contain all the criteria and the weight for each criterion as well as the values to be applied for evaluation as indicated in the bid specification or terms of reference concerned;
- (f) each panel member should, after thorough evaluation, independently award his own value to each individual criterion;
- (g) score sheets should be signed by panel members and if necessary, a written motivation may be requested from panel members where vast discrepancies in the values awarded for each criterion exist -provided that if the minimum qualifying score for functionality is indicated as a percentage in the bid specification or terms of reference, as the case may be, the percentage scored for functionality may be calculated as follows:
- (h) the value awarded for each criterion should be multiplied by the weight for the relevant criterion to obtain the score for the various criteria;
- (i) the scores for each criterion should be added to obtain the total score; and
- (j) the following formula should be used to convert the total score to percentage for functionality:  
$$Ps = \frac{So}{Ms} \times 100$$

Where:

Ps = percentage scored for functionality by bid under consideration

So = total score of bid under consideration

Ms = maximum possible score
- (k) the percentage of each panel member should be added and divided by the number of panel members to establish the average percentage obtained by each bidder for functionality.

**(ii) Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems**



Only bids that achieve the minimum qualifying score / percentage for functionality must be evaluated further in accordance with the bid specification or terms of reference for the bid concerned, as the case may be;

- (c) evaluate bids based on a stipulated minimum threshold for local production and content as required in the relevant bid specification in the following two stages:

(i) **First stage - Evaluation in terms of the stipulated minimum threshold for local production and content**

- (a) bids must be evaluated in terms of the evaluation criteria stipulated in the bid specification. The amendment of the stipulated minimum threshold for local production and content after the closure of bids is not allowed as this may jeopardize the fairness of the process;
- (b) a bid must be disqualified if:
  - the bidder fails to achieve the stipulated minimum threshold for local production and content; and
  - the Declaration Certificate for Local Content (Form MBD 6.2) is not submitted as part of the bid;
- (c) calculate the local content (LC) as a percentage of the bid price in accordance with the SABS approved technical specification number SATS 1286: 201x;
- (d) verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (Form MBD 6.2);

(ii) **Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems**

- (a) only bids that achieve the minimum stipulated threshold for local production and content must be evaluated further in accordance with the relevant preference point system referred to in the bid specification;
- (b) where appropriate, prices may be negotiated only with short listed or preferred bidders. Such negotiations must, however, not prejudice any other bidders;
- (d) check in respect of the recommended bidder whether or not such bidder's municipal rates and taxes and municipal service charges are not in arrears;
- (e) verify the status of recommended bidders (including their directors(s), owners(s) or trustee(s)) by checking the Data Base of Restricted Suppliers maintained by National Treasury in order to ensure that no recommended bidder or any of its directors/owners/trustees are listed as companies or persons prohibited from doing business with the public sector;

- (f) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter provided that:
  - (i) a contract must be awarded to the bidder who scored the highest total number of points in terms of the preference points systems referred to in paragraphs 29(3.3) and 29(4.3) as may be applicable; and
  - (ii) in exceptional circumstances and as provided in paragraph 29.9 of this policy, a contract may be awarded to a bidder that did not score the highest number of points provided that the reasons for such a recommendation must be recorded for audit purposes and be defensible in a court of law.

#### **43. Bid adjudication committees**

- (1) A bid adjudication committee must consist of at least four senior managers of the municipality which must include -
  - (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
  - (c) a technical expert in the relevant field who is an official of the municipality if the municipality has such an expert.
- (2) The accounting officer must appoint the chairperson of the committee who shall preferably be the chief financial officer. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting and such election must be recorded in the minutes of the meeting concerned.
- (3) Only with the consent of the accounting officer and upon request by the bid adjudication committee, a member of a bid specification, bid evaluation committee and/or an advisor or person assisting these committees may attend a meeting of a bid adjudication committee only for the purpose of providing clarity and an explanation of difficult technical aspects relating to the bid being adjudicated and without having any right to vote on the said bid being adjudicated.
- (4) A bid adjudication committee must -
  - (a) consider the report and recommendations of the bid evaluation committee submitted in terms of paragraph 32; and
  - (b) either -
    - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
    - (ii) make another recommendation to the accounting officer on how to proceed with

the relevant procurement.

- (5) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must, prior to awarding the bid -
  - (a) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
  - (b) notify the accounting officer.
- (6) The accounting officer may -
  - (a) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in subparagraph 5; and
  - (b) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (7) The accounting officer may, at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (8) If a bid other than the one recommended in the normal course of implementing this policy is approved, the accounting officer must, in writing and within 10 working days, notify the Auditor-General and the National and Provincial Treasuries of the reasons for deviating from such recommendation.
- (9) Subparagraph 8 does not apply if a different bid was approved in order to rectify an irregularity.
- (10) Notwithstanding any provision to the contrary in this paragraph or any other provision in this policy:
  - (a) contracts above a value of R10m (all applicable taxes included) may only be awarded to the preferred bidder after the chief financial officer has verified in writing that budgetary provision exists for the procurement concerned and that it is consistent with the Integrated Development Plan of the municipality.
  - (b) during a competitive bidding and adjudication process or before the award of a contract, the accounting officer may, at his/her discretion, specifically request the internal audit function of the municipality or, when so required, an independent external audit service provider (including an organ of state)(TO BE EXCLUDED) to carry out audit procedures and provide an opinion on compliance of the bidding process with supply chain management legislation applicable to the municipality. All bids above the threshold of R1 000 000 (90/10) must be approved by the Internal Audit Unit.
- (11) The accounting officer shall cause details of all bids awarded through a competitive bidding process to be advertised on the website of the municipality and such notification shall include at least the following information:
  - (a) Contract numbers and description of goods, service or works projects procured;
  - (b) Names of the successful bidder(s) and the B-BBEE level of contribution claimed;

nu  
JBK

- (c) The contract prices(s);
- (d) Brand names and dates for completion of contracts.

#### **44. Procurement of banking services**

- (1) A contract for banking services -
  - (a) must be procured through competitive bidding;
  - (b) must be consistent with section 7 of the MFMA or 85 of the Act; and
  - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 23 (1).
- (4) Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

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

- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if -
  - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
  - (b) the transaction value of a contract to be procured, whether for one or more years, exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality does not agree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National and Provincial Treasuries and the Auditor-General.

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

- (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if -
  - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

- (b) there is no reason to believe that such contract was not validly procured;
  - (c) there are demonstrable discounts or benefits to do so; and
  - (d) that other organ of state and the provider concerned have consented to such procurement in writing.
- (2) Subparagraphs (1) (c) and (d) do not apply if -
- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

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

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

#### **48. Appointment of consultants**

- (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if -
  - (a) the value of the contract exceeds R200 000 (VAT included); or
  - (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of -
  - (a) all consultancy services provided to an organ of state in the last five years; and
  - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised by a consultant in the course of the consultancy service is vested in the municipality.

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

- (1) The accounting officer may -
  - (a) Dispense with the official procurement processes established by this policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only -

JBK



- (i) in an emergency;
  - (ii) if such goods or services are produced or available from a single or sole provider only in circumstances where such supplier:
    - (a) Manufactures or provides goods and services which satisfies the unique requirements of a procurement;
    - (b) the goods and services required are already in the municipality's value chain or employ and are only supplied by an Original Equipment Manufacturer (OEM) or by a licensed agent thereof provider further that a licensed agent must produce a certificate from the OEM concerned certifying that he is a licensed agent;
    - (c) there is a requirement for compatibility, continuity and alignment;
  - (iii) For the acquisition of special works of art or historical objects where specifications are difficult to compile;
  - (iv) Acquisition of animals for zoos and/or nature and game reserves; or
  - (v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
  - (b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this policy and report them to the next meeting of the council and also include such reasons as a note to the annual financial statements of the municipality.
  - (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.
  - (4) In case of emergencies, the following procedure should be followed;
    - (a) Written recommendations must be obtained within 3 (three) working days from SCM as well as the CFO;
    - (b) Final approval will be obtained from the Accounting Officer, before an order will be issued;

#### **50. Unsolicited bids**

- (1) An unsolicited bid is a bid that is submitted by a prospective supplier to the municipality without any procurement requirement first having been identified and advertised. This situation arises when a supplier identifies an opportunity to render services or supply products not ordinarily required by the municipality.
- (2) In accordance with section 113 of the Act, there is no obligation upon the municipality to consider unsolicited bids received outside a normal bidding process.

mm



- (3) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid but only if –
- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to the municipality or have exceptional cost advantages;
  - (c) the person who made the bid is the sole provider of the product or service concerned; and
  - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (4) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (3), his decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
- (a) reasons as to why the bid should not be open to other competitors;
  - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) an invitation to the public or other potential suppliers to submit their comments on the proposal within 30 days of the publication of the relevant notice
- (5) The accounting officer must submit all written comments received pursuant to subparagraph (4), including any responses from the unsolicited bidder, to the National and Provincial Treasuries for comment.
- (6) Subject to subparagraphs (7) and (8) below, the adjudication committee must consider the unsolicited bid and may, depending on its delegations, award the bid or make a recommendation to the accounting officer.
- (7) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (8) When considering the matter, the adjudication committee must take into account –
- (a) any comments submitted by the public; and
  - (b) any written comments and recommendations of the National and Provincial Treasuries.
- (9) If any recommendations of the National and Provincial Treasuries are rejected or not followed, the accounting officer must submit to the Auditor-General and the National and Provincial Treasuries the reasons for rejecting or not following those recommendations.
- (10) Such submission must be made within seven days after the decision on the award of the

*mm*  
*JBK*

unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

- (11) The processes to be followed by the municipality with regard to the acceptance or rejection of an unsolicited bid shall clearly be made known to the bidder who submits the unsolicited bid concerned.
- (12) The council shall exercise caution when interviewing a potential supplier or a person who may wish to offer services to the municipality in circumstance which may be tantamount to the submission of or negotiation with regard to an unsolicited bid and shall not do anything or cause anything to be done which may be contrary to this policy.

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

(1) The accounting officer must-

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

*mm*

- (g) Reject the bid of any bidder if that bidder or any of its directors -
- (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
  - (ii) has been convicted for fraud or corruption during the past five years;
  - (iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004).
- (2) The accounting officer must inform the National and Provincial Treasuries in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) above.
- (3) If the accounting officer, on reasonable grounds, believes that a bidder or a contractor has engaged in bid rigging, he shall refer the matter to the Competition Tribunal for investigation and the taking of action against the bidder or contractor concerned in a manner contemplated in the Competition Act No. 89 of 1998.

### **Part 3: Other matters**

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

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

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

Irrespective of the procurement process followed, no award may be made to a person in terms of this policy -

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) who is an advisor or consultant contracted with the municipality.

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

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -

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

#### **55. Ethical standards**

- (1) The code of ethical standards annexed to this policy as Annexure A shall apply to all officials and other role players in the supply chain management system of the municipality in order to promote -

mm

- (a) mutual trust and respect; and
  - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) A breach of the aforesaid code of ethics must be dealt with as follows -
- (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
  - (b) in the case of a role player who is not an employee, through other appropriate means with due regard to the severity of the breach;
  - (c) in all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act and for applicable regulations pertaining to financial misconduct by officials.

#### **56. Inducements rewards gifts and favours to municipalities officials and other role players**

- (1) No person who is a provider or prospective provider of goods or services or a recipient or prospective recipient of goods disposed of or to be disposed of may either directly or through a representative or intermediary promise, offer or grant -
- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
  - (b) any reward, gift, favour or hospitality to -
    - (i) any official; or
- (2) The accounting officer must promptly report any alleged contravention of sub- paragraph 1 to the National Treasury for considering whether the offending person,
- and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

#### **57. Sponsorships**

The accounting officer must promptly disclose to the National and Eastern Cape Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary by any person who is -

- (a) a provider or prospective provider of goods or services to the municipality; or
- (b) a recipient or prospective recipient of goods disposed of or to be disposed of by the municipality.
- (c) This paragraph must not be confused with sponsorships that are made during the Municipality's day-to-day operations, which are approved by other committees, such as the Mayoral

Committee (or the Executive Mayor through his/her discretion). Such sponsorships or donations must be dealt with outside the ambits of this Supply Chain Management Policy.

#### **58. Objections and complaints**

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

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

- (1) The accounting officer must appoint an independent and impartial person who is not directly involved in the supply chain management processes -
  - (a) to assist in the resolution of disputes between the municipality and other persons regarding -
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer or another official designated by the accounting officer is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
  - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the Eastern Cape Provincial Treasury if -
  - (a) if it is not resolved within 60 days of lodgment; or
  - (b) no response is forthcoming within 60 days of lodgment.
- (5) If the Eastern Cape Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query concerned may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a competent court, at



any time, for such order as may be just and necessary in the circumstances.

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

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

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

**61. Contract Management - issue of expansion and variation orders**

- (a) The accounting officer or nominee may, subject to the provisos to this subparagraph and subparagraphs (b) to (d) authorize the issue of expansion or variation orders in respect of contract specifications or conditions of contract in order to accommodate
- (b) costs for additional work either unforeseen when contracts were awarded for infrastructure projects, essential or necessary additional work or in instances where factors beyond the control of an appointed contractor has led to or will lead to a delay in a contract completion date provided that:
  - (i) No expansion or variation order may be authorized for an amount exceeding 20% of the initial contract price for works related goods, services and/or infrastructure projects; or
  - (ii) 15% for all other goods and/or services; and, provided further –that any expansion or variation order issued in excess of the aforesaid thresholds shall be dealt with in a manner provided in section 116 (3) of the Act.
- (c) The accounting officer or nominee may, subject to subparagraphs (b) to (d) authorize the issue of variation orders in respect of contract specifications or conditions of contract in order to accommodate costs for additional work either unforeseen when contracts were awarded for infrastructure projects, essential or necessary additional work or in instances where factors beyond the control of an appointed contractor has led to or will lead to a delay in a contract completion date.
- (d) A variation order may only be issued after -
  - (i) the need for such order has been fully motivated by the responsible project manager and supported by the head of department concerned; and
  - (ii) the chief financial officer has certified that funds are available to cover the cost the required additional work.
- (e) A request for the issue of a variation order in an amount exceeding R200 000 shall first be referred to the Bid Adjudication Committee which considered the initial bid for approval provided that the accounting officer may constitute a new Bid Adjudication Committee for this purpose.

- (f) No request for a variation order may be approved in circumstance where new bids may be invited for the additional work concerned.
- (g) The line manager responsible for the implementation of a project undertaken either departmentally or through an appointed contractor must keep a proper record of all variation orders issued in respect of a project.
- (h) The original copy of an issued variation order must be filed with the original bid and contract documents.
- (i) The responsible line manager must, upon completion of additional work or the expiry of any extended contract period authorized by a variation order, certify that the terms and conditions of such variation order have been complied with.

## 62. Application of policy to municipal entities

- (a) The provisions of this policy generally do not apply to municipal entities.
- (b) The supply chain management system of a municipal entity shall be applied with due regard to the provisions of this policy and the Regulations and, in the event of conflict, the provisions of the Regulations shall enjoy preference.

## 63. Fronting

- (a) For purposes of this paragraph, "fronting" shall include the under-mentioned acts on the part of a bidder or any person or party associated with a bidder:
  - (i) **Window-dressing:** This includes cases in which black people are appointed or introduced to an enterprise on the basis of tokenism and may subsequently be discouraged or inhibited from substantially participating in the core activities of the enterprise concerned and/or be discouraged or inhibited from substantially participating in the declared areas and/or levels of their participation;
  - (ii) **Benefit Diversion:** This includes initiatives where the economic benefits received by an organization for having B-BBEE Status do not flow to black people in the ratio specified by law;
  - (iii) **Opportunistic Intermediaries:** This includes enterprises that have concluded agreements with other enterprises in order to leverage the Opportunistic intermediary's favourable B-BBEE status in circumstances where the agreement involves:
    - (a) Significant limitations or restrictions on the identity of the opportunistic intermediary's suppliers, service providers, clients or customers;
    - (b) The maintenance of their business operations in a context reasonably considered improbable having regard to resources; and
    - (c) Terms and conditions that are not negotiated at arms-length on a fair and reasonable basis.
- (c) Where the accounting office detects fronting, he must act against the bidder concerned in terms of paragraph 29(8.4) and, in addition, report such fronting to the Department of Trade

and Industry.

#### **64. Proudly SA Campaign**

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

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

#### **65. PRE-BID INFORMATION/SITE MEETINGS**

- Minutes of the meeting should be provided to all prospective bidders
- Any additional information, minutes of meetings, clarification, correction of errors, or modifications of bid documents should be sent to each recipient of the original bid documents in sufficient time before the closing date and time for receipt of bids to enable bidders to take appropriate actions

#### **66. CHANGING INFORMATION BEFORE CLOSING TIME**

##### **POLICY**

- It is preferable to cancel a bidding invitation and to invite fresh bids if conditions or the specification or any other information have to be materially changed before the closing time or if mistakes are discovered in the documents before the closing time.
- In this regard also adhere to the provisions of the PPPFA Regulations where all bids received are above or below the stipulated preference scoring.

##### **PRINCIPLES**

- Where the information that has to change is not material or will not have a material influence on the bidders proposals, all prospective bidders must be informed before the closing date of the bid and in time to take the information into consideration.
- Where the information that has to change is material or will have a material influence of the crafting of the bidders' proposals, the bid must rather be cancelled and fresh bids invited with the amended information

#### **67. POSTPONEMENT OF CLOSING DATE**

##### **POLICY**

The closing date may be postponed only if all prospective bidders can be advised of the postponed date in writing before the original closing date and in the case of an advertised bid invitation, the closing date may be postponed only if the postponed date can be timely advertised, before the original closing date.

##### **PRINCIPLES**

*me*  
*JBK*

The closing date may only be postponed if there is a valid reason for the postponement and if there is not sufficient time to advertise the postponement, the cancellation of the bid must be considered and fresh bids must be invited.

## **68. RECEIPT AND OPENING OF BIDS**

### **Written quotation above R10 000 up to R30 000**

#### **POLICY**

- (ii) Quotations must be submitted in writing preferably by hand or per mail, but may also be faxed or e-mailed.
- (iii) Bid box procedures may be used where the circumstances so require.

#### **OPERATIONAL**

- (iv) Quotations received by post, courier or electronic means should be administratively dealt with and immediately be channelled to the physical address where quotations are to be received.
- (v) The quotations should be date stamped and sorted according to their particular quotation numbers.
- (vi) Where a quotation is received, without a quotation number on the envelope, it must be opened, the quotation number ascertained, written on the envelope
- (vii) All the pages of the quotations received should be initialled, checked for any alterations and if affirmative, two officials are to co-initial at the place of alteration.
- (viii) Any documents not signed or not submitted should be noted.
- (ix) Information on quotations received must be captured in a —quotations received recordll that may be a register/list/spread sheet that must contain at least the following information:-
  - Quotation number.
  - Closing date.
  - Date and time received.
  - Name of the person/organization that sent the quotation or from whom the quotation was received.
  - Details on how the quotation was received, i.e. through courier services, electronic delivery or received in the bid box.
  - Whether the quotation was received on time or late.
  - Whether the quotation was opened, and if so, the reasons for the opening by the receiving officials.
  - Name of the receiving official.
- (x) 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.

*mm*

- (xi) Quotations must be stored/filed accordingly with those quotations already received of similar quotation numbers if received before the closing date of the quotation.

#### **69. Commencement**

This policy takes effect on the date of its adoption by the council.

**A situation where tenders in excess of R500 000 are awarded to the same service provider more than three times in the same financial year (i.e. 1 July to the 30 June of the following year) must be discouraged and be guarded against by the Accounting Officer and the Tender or Adjudication Committee members.**

## Part 4: Logistics, Disposal, Risk and Performance Management

### A. Logistics management

#### 1. GENERAL

Refer to section 39 of the MFMA

#### POLICY

1. The primary function of a store is the receiving, storing, preserving as well as the issuing of store items.
2. It is essential that equipment or stock be stored in such a way that the possibility of loss, damage, exposure, deterioration or perishing thereof is minimized or eliminated completely. By lack of a physical store, the function must still be performed.
3. Duplicate keys of all lockers, cabinets, padlocks and other storage areas should be readily available and shall be controlled by a responsible delegated official.
4. Logistics management includes:
  - The monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
  - The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
  - The placing of manual or electronic orders for all acquisitions other than those from petty cash;
  - Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
  - Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
  - Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
  - Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### 2. INVENTORY MANAGEMENT

#### POLICY

*mm*



- In cases where storage space is very expensive or not available, the just-in-time delivery principle must be used.
- Minimum and maximum order levels for all store items shall be determined based on the usage, the lead and delivery times.

### 3. REQUISITION

#### POLICY

- Stock items must be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.
- Procurement processes may differ between goods and services and in some cases a process for emergency procurement may be necessary.

#### OPERATIONAL

- A written requisition or quotation initiation form should be completed for approval and in order to insure that the procurer is clear as to the requirements.
- Stores Requisition Objective:
  - (i) Only authorised requisitions are processed;
  - (ii) Segregation of duties between requestor and approver; and
  - (iii) Changes to Item catalogues are subjected to the change control procedure.
- Outcome:
  - (i) An adequate system of controls exists to ensure that request for inventory are valid, reviewed and authorised.
  - (ii) The correct quantity of items is received at the right time and at the right place.
- Cost Centre prepares request for inventory item:
  - (i) Delegated employee/practitioner selects items from the Inventory Catalogue;
  - (ii) Delegated employee/practitioner completes a request form for inventory items; and
  - (iii) The request form should contain at least the following information:
    - Cost Centre Description (and Number if there is a system in use)
    - Date of Request
    - Item unified stock keeping code
    - Item unified description

- Quantity Required
- Authorise request for inventory item.

(h) The Delegated employee/practitioner will:

- Verify the information to ensure that it is a valid request;
- Approves the request or captures the request form on the system in use; and
- If no system in use the delegated employee/practitioner will register the request in a register to keep record of the requests from cost centres.
- Confirm Requisitions.

(i) The delegated employee/practitioner in the warehouse verifies the request form as follows;

- Check if the submitted documents are duly completed.
- Check if the Request is signed/approved by the delegated employee/practitioner.
- Check if item descriptions are complete;
- Verify that the item is on the Inventory Catalogue and can be issued from the warehouse

#### 4. PLACING OF ORDERS

##### POLICY

- Purchase orders must be in reference to the requisitions where the supply source is either –
  - (i) Contract; or
  - (ii) Quotations.
- Purchase orders for imported goods and which are subjected to rate and exchange adjustments must specify that the vendor must take out a forward exchange contract in order to fix the Rand based price in the purchase order.

##### OPERATIONAL

- Purpose - place approved orders for goods/ services with suppliers appointed through relevant procurement process
- Supply Chain Management Unit responsible for ordering
- Order should be cross-referenced to requisition and checked for accuracy and authority
- Performance specifications communicated to suppliers as part of ordering process
- SCM Unit monitor supplier against specifications
- Where contract exists – order placed in line with contract otherwise in breach of contract
- No contract – proper bidding process to be followed.

*mm*

## 5. RECEIVING GOODS

### POLICY

- Goods are received on the logistical system with reference to purchase orders.

### OPERATIONAL

- All goods received by suppliers/vendors should be verified against the purchase orders or contracts that initiated them.
- The following should be checked on delivery:
  - (i) Quality and any signs of damage.
  - (ii) Quantity.
- In order for payments to be made after receipt of goods, a documented record of goods received and checked is required.
- Accept goods and acknowledge receipt
- Compare goods to delivery note and order – ensure goods with valid orders are accepted
- Copy is filed appropriately
- Deliveries carefully examined before delivery notes are signed
- Damage/ short delivery
- Investigated immediately
- Particulars endorsed on delivery and goods received notes
- Completed goods received note and signed delivery note sent to Finance unit to initiate payment

## 6. RETURNING GOODS

### POLICY

- Manage the return of goods and related third party claims.

### PRINCIPLES

- Return goods and manage third party claims.
- Implement the return of goods.

### OPERATIONAL

- Administer the return of goods activities.

## 7. GOODS DISTRIBUTION

### PRINCIPLE

- Buy-out items received in transit area – transferred to end user
- End user signs if satisfied with delivered item - Forms part of payment package
- Inventory items – send to end user
- End user sign receipt on issue voucher

### OPERATIONAL

- Goods will be issued with reference to reservations. Goods can be used for consumption against internal orders, cost centres, projects and assets under construction.
- Issuing of any items must be recorded as an issue note to confirm the authority for issuing, act as a pick note by the issuer and sign for on receipt by the receiver.
- Distribution Channels
  - (i) The relevant manager must identify the optimum distribution channel throughout the supply chain to ensure that goods are moved or transported effectively and efficiently between the supply and demand locations;
  - (ii) When the relevant manager decides on the type of distribution channel he/she must consider the following criteria:
- Identify Intermediaries (i.e. transit, stores) as they can increase the efficiency of the distribution channel by creating time, place and possession benefit to the end user (i.e. at the right time and right place). Intermediaries reduces some or all of the following costs:
- Transportation costs (fewer but larger volume shipments); and
  - Inventory carrying costs;
  - Storage costs; and
  - Order processing costs.

## 8. WAREHOUSE MANAGEMENT

### POLICY

- Warehousing must be provided for and located in areas appropriate to where depots are situated.
- The Supply Chain must ensure for:-

*mu*

- (i) Proper financial and budgetary control.
- (ii) Uphold the principle of effective administration.
- (iii) Proper stock holding and control.
- (iv) Product standardization.
- (v) Quality of products.
- (vi) A high standard of service levels.

#### OPERATIONAL

- Document proper storage methods to ensure that the procured items do not deteriorate whilst in storage.
- Implement additional storage methods for those items that are of a hazardous nature such as flammable chemicals, poisons and explosives.
- Examples of methods that are required to be documented:
  - (i) Handling.
  - (ii) Storage.
  - (iii) Packaging.
  - (iv) Preservation.
  - (v) Delivery as appropriate to the item.
- Issuing of any items must be supported by a documented record as an issue note.
- Update stores systems from this issue note.
- Periodic stocktaking should take place at least annually.
- No over deliveries will be accepted into any warehouse/storeroom if the delivered quantity exceeds the Over Delivery Tolerance Limit of the respective purchase order.
- No packaging or material that displays any visible damage / fault must be received into any warehouse/storeroom unless approved by the warehouse/storeroom manager. Should there be an emergency requirement or the driver cannot remain, the delivery note will be noted
- Received pending investigation and the damage described or a picture taken of the damages where possible.
- The receiver must confirm the following information on the purchase order against the actual delivery:
  - Supplier:
    - (i) Description of item being delivered; and
    - (ii) Quantity of Items being delivered
- Material that does not conform to the specifications and description issued by the buyer on the purchase order must not be accepted and received based on the visual inspection;

mm  
JBK

- The goods receipt procedure must be completed on the inventory management system within 24 hours and balanced, i.e. the quantity of delivery notes vs. the quantity of goods receipt slips must balance;
- All received material that must be Quality Inspected, must be stored in the designated inspection staging area pending the Quality Inspection (.QI.) procedure;
- The goods received note made out at the transit area must be signed by the warehouse/store manager or the relevant delegated authority as well as the person delivering the goods on behalf of the supplier;
- The completed goods received note and signed delivery note must be sent to the SCMU to initiate payment;
- All scheduled deliveries have their relevant order information located at the receiving area;
- Appropriate segregation of duties must exist between receiving/issuing, and approval of stock adjustments;
- The transit area is not to be treated, as a warehouse/storeroom. Store items received in the transit area must not, if practical be left there for longer than 48 hours;
- Stock items must be transferred from the transit area into the warehouse/storeroom and both the inventory system and the relevant bin cards updated

## **9. MATCHING DOCUMENTS**

### **POLICY**

- Manage the payment voucher matching process.

### **PRINCIPLES**

- Review payment vouchers for completeness and accuracy and report discrepancies.
- Monitor the payment voucher matching process and resolve discrepancies.

### **OPERATIONS**

- Consolidate order, issue vouchers, delivery notes and invoices.

## **10. PREPARATION FOR PAYMENT / ACCOUNTS PAYABLE**

### **POLICY**

- After documented records were received, the payment process can be initiated as prescribed through the MFMA processes and delegations.

mm



## 11. INVENTORY STOCK COUNT, VERIFICATION AND RECONCILIATION

### STOCK COUNT AND VERIFICATION PROCEDURES

#### a) PLANNING PHASE

##### POLICY

- Most important part when undertaking an inventory stock count is the planning phase. The phase must set out all the steps to be taken securing the accurate count and verification is undertaken.
- Stock count should at least be done once in a financial year but could also be done on a monthly basis.

##### OPERATIONAL

- The SCMU are responsible to issue the stock take program for the financial year.
- The Stock Take Team is responsible for the administrative issues of the annual stock take and verification and will prepare the detailed planning as well as any planning related to a continuous program.
- The SCMU must plan their schedule in conjunction with the inventory count and verification program and must ensure that resources are available during this period.

#### b) APPOINTMENT OF STOCK COUNT AND VERIFICATION TEAM

##### OPERATIONAL

- The SCM Manager must appoint the Stock Count and verification team to be part of the Stock Take Team for the financial year
- Appointment of all members must be in writing.
- The official appointed to be the responsible person for store inventory and stock may not be responsible for the count but can only serve on the Stock Take Team as an advisor.
- The Stock Take Teams plans the Inventory Stock Count and Verification and must –
- Have access to the quantity of stock, number of cycles and accessibility of items.
- Determine an estimate timeframe on how much time is needed to verify all the inventory store stock.
- Set dates for inventory stock count and verification process.
- Completes an Inventory Stock Count and Verification Action Plan
- Organise verification schedule with dates and timeframes.
- Arrange verification officials into teams.
- Assign verification teams to cycles that need to be verified.

- Notify all Participating Officials of Inventory Stock count and verification process.
- Inform all users of the planned date and time of the verification process.
- Check that all issues and receipts are captured.
- Check that all stock is packed out and in correct quantities.
- Check that all stock is in proper bins.

#### c) CONDUCTING ACTUAL INVENTORY STOCK COUNT AND VERIFICATION

##### POLICY

- By the end of the verification process the following outcomes will emerge:
- All physical stock in each cycle must have been counted and noted on the required reporting document.
- All officials involved in the actual verification process must initial and sign the required reporting document and must also state his/her function in the process.
- The Stock Take Team must collate all required reporting document per cycles and must ensure that all information has been recorded, signed and submitted.
- The Stock Take Team must ensure that the documentation is ready for the reconciliation process.

##### OPERATIONAL

- Use the required report document when conducting the Inventory Stock Count and Verification.
- Report must be printed for every cycle and issued to verification officials to conduct the physical count and verification
- All count and verification information should be noted on the required report document.
- Writing must be done in black pen.
- Officials must verify that the following information is correct and correspond with the stock:
- Description of stock.
- Quantity of stock.
- Bin number quantity check.
- The officials responsible for the count of the specific cycle should sign the required report document once the stock in the cycle has been counted.

#### 12. RECONCILIATION PROCEDURES

**POLICY**

- The reconciliation process commences once the count and verification phase has been completed and complete count reports are available from Stock Take Team (Refer to above paragraphs 5.1.3.3).
- The control report must be printed and compared with the count report.
- Discrepancies must be listed from above mentioned process.

**13. TREATMENT OF DISCREPANCIES**

**POLICY**

- Discrepancies are the result of shortages and or surplus stock found not equal to the quantity that appears on the control report.

**OPERATIONAL**

- Stock Take Team should evaluate each discrepancy individually and recommend any further steps to be taken.
- Steps may include the recovery of stock losses from responsible officials by following the loss control procedures.
- Discrepancies must be captured as soon as the investigation has been finalised.
- All particulars and supporting documentation should be kept for audit purposes.
- Surpluses could be the result of:
  - (i) A receipt not captured but put into bin location
  - (ii) An issue captured but not physically removed from bin location

\* Shortages could be the result of:

- (i) An issue physically removed from bin location but not captured
- (ii) A receipt captured but not put into bin location.
- Shortages could also be the result of theft. In such case, the matter must be reported to the South African Police Service within 24 hours and a case number should be obtained for further investigation.
- It is the responsibility of the Stock Take Team to report the theft on discovery of theft.
- Investigations should be launched when shortages are reported. The investigations should be an internal process and a search initiated. When item is not found the case must be referred to the SAPS as a possible loss to the Municipality and loss control procedures should be followed.
- As soon as the outcome of the investigation regarding discrepancies is complete, the transactions must be captured, adjusted and the stock items corrected.

- Approval must be given by the delegated official.
- If the shortage is proven to be the official's negligence the cost of the stock must be recovered from responsible officials and the Loss control procedures needs to be followed.
- After conclusion of the process, all documentation must be filed for the financial year for audit purposes.
- Upon finalising the inventory stock count and verification an inventory stock verification certificate must be completed by the Head of SCM and a copy must be sent to the SCMU.
- The certificate should contain at least the following:
  - (i) Stock Take Team had been appointed in writing;
  - (ii) A complete inventory stock count has been conducted;
  - (iii) The information as provided is a true reflection of inventory stock within the Municipality
  - (iv) Inventory stock count and verification process is complete.

#### **B. Disposal management**

- (1) In terms of section 14 of the Act, the municipality 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.
- (2) A municipality may transfer ownership or otherwise dispose of capital asset other than one contemplated in subsection (1), but only after the 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; and
  - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- (3) An asset may be disposed of by -
  - (i) transferring the asset concerned to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - (ii) transferring the asset concerned to another organ of state at market related value or, when appropriate, free of charge;
  - (iii) selling the asset concerned; or
  - (iv) destroying such asset.
- (4) The accounting officer must ensure that -

- (a) when immovable property is sold by means of a competitive bidding process, the highest price offered shall be accepted, provided such price is equal to or higher than the market related price for the relevant immovable property;
  - (b) in other cases, only at a market related price except when the public interest or the plight of the poor demands otherwise in which event the sale price shall be determined in accordance with the applicable land disposal or indigent policy adopted by the council;
  - (c) movable assets are sold either by way of written price quotations, a competitive bidding process or by public auction at the highest offered price, provided such price is market related;
  - (d) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
  - (e) immovable property is let at market related rentals except when the public interest or the plight of the poor demands otherwise in which event the rental shall be determined in accordance with the applicable land disposal or indigent support policy adopted by the council;
  - (f) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
  - (g) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
  - (h) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate, within 30 days, whether or not any of the local schools are interested in such equipment.
- (5) This paragraph must be read with and applied in conjunction with the Municipal Asset Transfer Regulations contained in Government Notice R. 878 of 22 August 2008 and the associated policies adopted by the council. In the event of conflict, the provisions of the aforesaid Regulations shall be applied

### **C. Risk management**

- (1) The accounting officer must establish and implement an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
- (2) Risk management must include -
  - (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

MM  
JBK

- (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

<b>D. Performance management</b>
----------------------------------

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

*me*



MAKANA MUNICIPALITY

**CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS  
AND OTHER ROLE PLAYERS**

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

**1. General Principles**

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

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

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

**2. Conflict of interest**

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

- (a) must treat all providers and potential providers equitably and fairly;
- (b) may not use his/her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person or any close family member, partner or associate, may have in any proposed procurement or disposal process or in any award of a contract by the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person or any close family member, partner or associate has any private or business interest;

mm  
JBK

(g) must declare any business, commercial and financial interests or activities

undertaken for financial gain that may give rise to a possible conflict of interest;

(h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence him/her in the performance of his/her official duties; and

(i) should not take improper advantage of his/her previous office after leaving his/her official position.

### **3. Accountability**

3.1 Practitioners are accountable to the public for their decisions and actions.

3.2 Practitioners should use public property scrupulously.

3.3 Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods, services or works.

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

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

3.6 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which they may become aware of, including but not limited to -

(i) any alleged fraud, corruption, favouritism or unfair conduct;

(ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and

(iii) any alleged breach of this code of conduct.

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

### **4. Openness**

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

### **5. Confidentiality**

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

5.2 Matters of confidential nature in the possession of officials and other role players

involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after they have left the service of the municipality.

## **6. Bid Specification / Evaluation / Adjudication Committees**

- 6.1 Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- 6.2 Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- 6.3 All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- 6.4 No person should-
  - 6.4.1 interfere with the supply chain management system of the municipality; or
  - 6.4.2 amend or tamper with any price quotation / bid after its submission.

## **7. Combative Practices**

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

- (i) suggestions to fictitious lower quotations;
- (ii) reference to non-existent competition;
- (iii) exploiting errors in price quotations / bids;
- (iv) soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

mm  
JBK

## ANNEXURE B

SCHEDULE TO SMALL BUSINESSES ACT NO. 102 OF 1996				
Column	Column 2	Column 3	Column 4	Column 5
Sector or sub-sector in accordance with the Standard Industrial	Size of class	The total full-time equivalent of paid	Total turnover	Total gross asset value (fixed property)
Agriculture	Medium Small Very small Micro	100 50 10 5	R 5 m R 3 m R 0.50 m R 0.20 m	R 5 m R 3 m R 0.50 m R 0.10 m
Mining and Quarrying	Medium Small Very small Micro	200 50 20 5	R 39 m R 10 m R 4 m R 0.20 m	R 23 m R 6 m R 2 m R 0.10 m
Manufacturing	Medium Small Very small Micro	200 50 20 5	R 51 m R 13 m R 5 m R 0.20 m	R 19 m R 5 m R 2 m R 0.10 m
Electricity, Gas and Water	Medium Small Very small Micro	200 50 20 5	R 51 m R 13 m R 5.10 m R 0.20 m	R 19 m R 5 m R 1.90 m R 0.10 m
Construction	Medium Small Very small Micro	200 50 20 5	R 26 m R 6 m R 3 m R 0.20 m	R 5 m R 1 m R 0.50 m R 0.10 m
Retail and Motor Trade and Repair Services	Medium Small Very small Micro	200 50 20 5	R 39 m R 19 m R 4 m R 0.20 m	R 6 m R 3 m R 0.60 m R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium Small Very small Micro	200 50 20 5	R 64 m R 32 m R 6 m R 0.20 m	R 10 m R 5 m R 0.60 m R 0.10 m
Catering, Accommodation and other Trade	Medium Small Very small Micro	200 50 20 5	R 13 m R 6 m R 5.10 m R 0.20 m	R 3 m R 1 m R 1.90 m R 0.10 m
Transport, Storage and Communications	Medium Small Very small Micro	200 50 20 5	R 26 m R 13 m R 3 m R 0.20 m	R 6 m R 3 m R 0.60 m R 0.10 m

m

# Makana Municipality Supply Chain Management Policy

Finance and Business Services	Medium Small Very small Micro	200 50 20 5	R 26 m R 13 m R 3 m R0.20 m	R 5 m R 3 m R 0.50 m R 0.10 m
Community, Social and Personal Services	Medium Small Very small Micro	200 50 20 5		













## **ANNEXURE E**

### **DETAILED CAPITAL BUDGET**





MAKANA MUNICIPALITY  
DETAILED CAPITAL BUDGET  
2015/2016 - 2017/2018

DEPARTMENT/SECTION : DETAILS	FUNDING SOURCE	COST 2015/16	PRIORITISATION		COST 2016/2017	COST 2017/2018
			Quarter	Month		
<b>TECHNICAL &amp; INFRASTRUCTURAL SERVICES</b>						
Roads & Stormwater						
Surfacing Existing Gravel Road: Makana Way	AFF	2 000 000				
		2 000 000			-	-
<b>SEWAGE DISPOSAL</b>						
Belmont Valley						
Belmont Valley WWTW Upgrade	ECDC	10 000 000			20 000 000	40 000 000
Belmont Valley WWTW Upgrade	DWS	127 000 000			-	-
		137 000 000			20 000 000	40 000 000
<b>Mayfield</b>						
Mayfield WWTW Upgrade	ECDC	-			-	30 000 000
		-				30 000 000
<b>SEWERAGE RETICULATION</b>						
Grahamstown						
Eluxolweni Plumbing Works	AFF	2 000 000			-	-
		2 000 000			-	-
		141 000 000			20 000 000	70 000 000
<b>TOTAL TECHNICAL &amp; INFRASTRUCTURAL SERVICES</b>						
<b>INFORMATION TECHNOLOGY</b>						
Offsite Backup Solution	AFF	600 000			-	-
Backup Generator	AFF	300 000			-	-
Computer Equipment	AFF	300 000			-	-
		1 200 000			-	-
<b>TOTAL CORPORATE SERVICES</b>						
		1 200 000			-	-
<b>LIBRARIES</b>						
Hill street						
Office Equipment	DSRAC	696 100			-	-
		696 100			-	-
<b>Fingo</b>						







AFF AFF

**TOTAL COMMUNITY AND SOCIAL SERVICES**

AFF	20 000					
AFF	200 000					
	1 005 000					
	4 897 100					





# TECHNICAL & INFRASTRUCTURAL SERVICES

## ELECTRICITY DISTRIBUTION

Fleet Management  
2x 4x2 LDV's

Tools and equipment  
stamping Machine

Refurbishment & Extension 11KV Overheadlines  
FNB Switching Unit

Substations(Faulty switchgear & Overloaded transformers)  
Repeater Unit

Electrification  
mayfield  
Etihembeni

Network Protection Upgrade  
Master Plan  
Replacement Protection Relays  
Battery Tripping Units

ENERGY MANAGEMENT  
Remote metering

ALICEDALE NETWORK UPGRADE  
11 KV underground cable

REFURBISHMENT & EXTENTION 11 KV OVERHEAD LINES  
Stones Hill

TOTAL ELECTRICITY

AFF	400 000	2	1	-	-
	400 000				
AFF	50 000	2	1	-	-
	50 000				
AFF	280 000	3	3	-	-
	280 000				
AFF	50 000	2	1	-	-
	50 000				
INEP	1 777 000			4 694 000	4 929 000
INEP	2 917 000				
	4 694 000			4 694 000	4 929 000
AFF	950 000	1	3	-	-
AFF	300 000	2	3	-	-
AFF	150 000	3	1	-	-
	1 400 000				
AFF	100 000	2	2	-	-
	100 000				
AFF	500 000	1	2	-	-
	500 000				
AFF	200 000	1	3	-	-
	200 000				
	7 674 000			4 694 000	4 929 000



<b>WATER</b>						
<b>JAMES KLEYNHANS</b>						
Upgrading James Kleynhans					41 000 000	
					41 000 000	
					41 000 000	
<b>TOTAL WATER</b>						
<b>MIG PROJECTS</b>						
Construction of Vukani Road				12 682 510		
Multipurpose Centre - Foley's Ground				9 403 688		
<b>TOTAL MIG</b>				22 086 198		
<b>TOTAL CAPITAL BUDGET</b>				191 857 298	65 694 000	74 929 000

Summary of Funding Source - Capital Budget				
	2015/2016	2015/2017	2017/2018	
AFF	12 081 000	-	-	
<b>Grants</b>				
MIG	22 086 198.00	-	-	
NDPG				
INEP	4 694 000.00			
DSRAC	996 100.00			
RBIG	15 000 000.00	4 694 000	4 929 000	
ECDC	10 000 000.00	41 000 000	-	
DWs	127 000 000.00	20 000 000	70 000 000	
<b>Total</b>	<b>191 857 298.00</b>	<b>65 694 000.00</b>	<b>74 929 000.00</b>	



## **ANNEXURE F**

### **BUDGET PROCESS PLAN**







**TIME SCHEDULE OF KEY DEADLINES FOR 2015/2016**

<b>Completion Date</b>	<b>Activity</b>	<b>Responsibility</b>
July 2014	Preparation of an IDP / Budget Timetable	IDP/PMS Manager and CFO
August 2014	Planning of the next three year budget in accordance with co-ordination role of the budget process	Accounting Officer and Sec 57 Directors
August 2014	<ul style="list-style-type: none"> <li>• Tabling of the Timelines to Council</li> <li>• Submission of the Timelines to Provincial Treasury</li> <li>• Beginning of Annual Report Preparation Process.</li> <li>• Submission of the Budget Checklist</li> <li>• Preparation of the budget related Policies</li> <li>• Review of IDP and Budget processes and develop improvements.</li> </ul>	CFO Section 57 Directors Executive Mayor Accounting Officer IDP/PMS Manager
September 2014	<ul style="list-style-type: none"> <li>• Determine the funding/ revenue projections for the next three years.</li> <li>• The Executive Mayor to determine the strategic objectives for service delivery and development for the next three years (IDP reviews)</li> </ul>	CFO Executive Mayor IDP/ PMS Manager
October 2014	Preparation of the draft budget. CFO liaison heads of department for their departmental budget.	All Managers / Directors
November 2014	Budget plans, capital / operational budget to have been consolidated (based on the budget inputs submitted by Departments).	Budget Office
February 2015	Directors to have met with their HOD's and any relevant staff members to discuss draft capital / operational budget to ensure that anticipated expenditure meets parameters set out by National / Provincial Government.	Directors / Budget Office
February – March 2015	Mid- year budget and performance assessment visits	Directors / Budget Office
March 2015	Budget / IDP Steering Committee to conduct Budget Meetings in order to ensure that the tabled budget on or before end March 2014 is closer to balancing and is in line with the IDP	Budget / IDP Steering Committee
March 2015	All Draft Budget Documents, Draft IDP, Draft SDBIP and relevant items must be ready for the Council meeting of end March 2013.	IDP/PMS Manager and CFO
March 2015	Executive Mayor to have tabled draft budget, resolution, plans and changes to the IDP to Council + MM to ensure that all Draft Documents are forwarded to the relevant stakeholders (e.g. Government Departments, District Municipality, etc.).	Executive Mayor / Municipal Manager
April 2015	Mayor to have completed public hearings on the budget + IDP where the Executive Mayor and Councillors present budget + IDP to the communities for comments or contributions (public participation process).	Executive Mayor / All Councillors / Senior Management / HOD's



<i>April – May 2015</i>	<i>Budget and Benchmark Assessments</i>	
<i>May 2015</i>	<i>Budget Documents, IDP, SDBIP and relevant items must be ready for the Council meeting of end May 2014.</i>	<i>IDP/PMS Manager and CFO</i>
<i>May 2015</i>	<i>Mayor to have presented final budget to Council for adoption and to have included operating / capital budget, resolutions, tariffs, capital implementation plans, operational objectives, changes to IDP and budget plans.</i>	<i>Executive Mayor / CFO and IDP/PMS Manager</i>
<i>June 2015</i>	<i>MM to have ensured that all Budget / IDP documents are forwarded to the relevant stakeholders (e.g. Government Departments such as National and Provincial Treasuries, DPLG, etc.) in the correct formats, and that tariffs are published.</i>	<i>MM / IDP Manager / CFO</i>
<i>June 2015</i>	<i>Draft SDBIP to have been tabled by the MM to the Executive Mayor</i>	<i>MM</i>
<i>June 2015</i>	<i>Final SDBIP's completed and KPI's drawn or finalised</i>	<i>IDP and PMS Managers</i>
<i>June 2015</i>	<i>Final SDBIP, Performance Plans, Rating Calculators and Performance Agreement completed and signed for implementation as from the 1 July 2015 (2015/2016 Financial Year)</i>	<i>All Directors and Heads of Departments</i>  <i>End the process starts again for the 2015/16 financial year...</i>

#### **Instructions and Guidelines**

*It is the sole responsibility of the Director concerned to ensure that the Budget is accurately completed on the work sheets and are forwarded to the Finance Directorate timeously (on or before the due date).*

*The following is also of great importance:-*

- *A three year budget is to be prepared and the Council's IDP consulted at all times.*
- *The Finance Directorate will calculate the budget for the basic remuneration component (all salaries and wages except for items such as "overtime").*
- *Each Directorate must provide the Finance Directorate with a detailed list of vacancies (as per approved organogram) that must be incorporated in the Budget, with information such as 'Position' or 'Designation' and 'Job Grade'.*
- *Relevant documentation for Capital Expenditure must be completed*
- *The Director: Infrastructure must liaise with the NER for guidelines on increase in electricity income.*
- *All amounts budgeted must be rounded off to the nearest R10.*
- *Ensure that at least quotations are obtained in cases where capital items are required (don't work on assumptions).*
- *Assist yourself and the Budget/IDP Steering Committee by prioritising your budget requirements upfront (as budget will always be limited: i.e. Demand vs. Supply factor)*

12/18/85 - 01:11