



MSUKALIGWA LOCAL MUNICIPALITY

SUPPLY CHAIN MANAGEMENT

STANDARD OPERATING PROCEDURES MANUAL

STANDARD OPERATING PROCEDURES MANUAL

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1 PREAMBLE

Section 217 of the Republic of South Africa, requires the organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, when contracting for goods or services, to do that in accordance with a system which is fair, equitable, transparent, competitive and cost effective;

WHEREAS Section 111 of the Local Government: Municipal Finance Act, 2003 Act 56 of 2003) requires that the municipality adopt, maintain and implement a Municipal Supply Chain Management Policy;

WHEREAS Section 5 of the Preference Procurement Policy Framework Act, Act 5 of 2000 provides clear guidelines on implementation of economic empowerment pertaining black people and other socio economic strategies;

And WHEREAS Municipal Supply Chain Management Regulations made in terms of Section 168 of the Local Government: Municipal Finance Management Act prescribes what such Supply Chain Management Policy must provide for;

In addition, Supply Chain Management forms an integral part of the financial management system of institution which deals with the supply of goods and services.

Supply Chain Management could be described as a function that ensures that goods and services are delivered to the right place, right quantity, with the right quality, at the right cost and at the right time

Supply Chain Management could also be described as the integration of six key processes that ensures provision of products, services and information in an effective, efficient and economic manner

Now THEREFORE, the Council of Msukaligwa Local Municipality hereby adopts the Municipal Supply Chain Management Policy as set out in this document.

2 DOCUMENT DEFINITION

2.1 Adoption and amendment of the supply chain management policy

- a. The Mayoral Committee in consultation with the Municipal Manager shall recommend changes to this policy and procedures manual. This manual replaces/supersedes any Procurement Policy and Procedures Manuals, previously in use.
- b. The accounting officer must at least annually review the implementation of this policy; and when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council.
- c. If the accounting officer submits a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- d. When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
- e. The accounting officer of the municipality must in terms of section 62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

2.3 Distribution of the Manual

- a. All changes to the Supply Chain Management policy must be distributed to all the relevant role players of the Msukaligwa Local Municipality, including at least the following:
 - i. Executive Mayor;
 - ii. Municipal Manager;
 - iii. Members of the Mayoral Committee;
 - iv. Accounting Officer;
 - v. Heads of Unit;
 - vi. Members of the Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee;
 - vii. All supply chain officials; and
 - viii. All Msukaligwa Local Municipality employees who might be affected by the change.

3 **TERMINOLOGY**

3.1 **Abbreviations**

AG	Auditor-General
AO	Accounting Officer
BBBEE	Broad Based Black Economic Empowerment
BBBEE Act	Broad Based Black Economic Empowerment Act
BEE	Black Economic Empowerment
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DTI	Department of Trade and Industry
GCC	General Conditions of Contract
HDI	Historically Disadvantaged Individual
IDP	Integrated Development Plan
IT	Information Technology
ITC	Information to Consultants
LCC	Life Cycle Costing
LOI	Letter of Invitation
MFMA	Local Government: Municipal Finance Management Act (Act No56 of 2003)
MSA	Municipal Systems Act
MTEF	Medium Term Expenditure Framework
PCCAA	Prevention and Combating of Corrupt Activities Act. 2004
PFMA	Public Finance Management Act (Act No 1 of 1999, as amended)
PPP	Public-Private Partnership

PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
RDP	Reconstruction and Development Programme
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
SAPS	South African Police Services
SARS	South African Revenue Services
SCM	Supply Chain Management
SCM Unit	Supply Chain Management Unit
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprises
SP	Service Provider
TCO	Total Cost of Ownership
TOR	Terms of Reference
WIP	Work in Process

3.2 Definitions

Accountability	The personal responsibility of a person to his senior or higher authority for any act or omission in the execution of his assigned duties (accountability cannot be delegated).
A-class accountable items	A-class accountable items are those items that are not consumable or expendable.
Acquisition management	Acquisition management is the process of procurement of goods, works and services and includes the: <ul style="list-style-type: none">- Identification of preferential policy objectives;- Determination of market strategy;- Application of depreciation rates;- Application of total cost of ownership principle;- Compilation of bid documentation, including conditions;- Determination of evaluation criteria;- Evaluation of bids and tabling of recommendations;- Compilation and signing of contract documents; and- Contract administration.
Asset	It is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics: <ul style="list-style-type: none">- It possesses service potential or future economic benefit that is expected to flow to the entity;- It is controlled by the entity; and- It originates as a result of a past transaction or event.
Authority	Authority is the right or power attached to a rank or appointment permitting the holder thereof to make decisions, to take command or to demand action by others.
Bid	Means a written offer or bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods.
Bidder	In the case of Msukaligwa Local Municipality, a bidder refers to companies, close corporations, partnership, trust, joint ventures and individuals, including shareholders, directors of a company, members of the close corporation and trustees of a trust.

Black empowered enterprise	Is one that is at least 25.1% owned by black people and where there is substantial management control.
Black enterprise	Is one that's 50.1% owned by black people and where there is substantial management control.
Black people	Black people are a generic term which means Africans, Coloureds and Indians.
Black woman-owned enterprise	Is one with at least 25.1% representation of black women within the black equity and management portion.
Broad Based Black Economic Empowerment	Means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to: <ul style="list-style-type: none">- Increasing the number of black people that manage, own and control enterprises and productive assets;- Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;- Human resource and skills development;- Achieving equitable representation in all occupational categories and levels in the workforce.- Preferential procurement; and- Investment in enterprises that are owned or managed by black people.
Buy out	Pay someone to give up an ownership.
Chief Financial Officer	An officer designated by the accounting officer of the Municipality, who is accountable to the AO for effective financial management.
Contract	Means the agreement that results from the acceptance of a tender by an organ of state.
Community broad-based enterprise	or Has an empowerment shareholder who represents a broad base of members such as a local community or where the benefits support a target group for example black women, people living with disabilities, the youth and workers.
Close family member	Close family member includes the spouse, child or parent of this member.

Closing time	means the date and time specified in the bid documents for the receipts of bid meaning bid documents must be placed at the official bid box before closing time to avoid late bids especially in cases whereby high volume of documents are expected.
Competitive bid	Means a bid in terms of a competitive bidding process.
Competitive bidding process	Means a competitive bidding process referred to in the MFMA Regulation 12(1) (d).
Construction industry	Means the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment.
Construction works	Means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, dismantling or demolition of a fixed asset including building and engineering infrastructure.
Current asset (inventory – perishable goods)	An asset that would, in the normal course of operations that could be consumed or converted to cash within 12 months after the last reporting date.
Customer service	It is the process of serving customers in accordance with acceptable, pre-determined standards in such a manner that it increases customer satisfaction and minimises times and costs.
Demand management	Demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs.
Depreciation	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit.
Disability	Means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of ability to perform an activity in the manner, or within the range, considered normal for a human being.
Disposal management	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with movable assets in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.

E-class accountable items	E-class accountable items are consumable and expendable stores that cannot be repaired when it become unusable.
Economic principle	Obtain the highest possible output for the lowest possible use of resources.
Economy of scale	Reductions in the average cost of a product in the long run, resulting from an expanded level of output.
End-user	The end-user is the person who plays a role in the procurement process.
Equipment	A-class accountable stores that are issued and accounted for on an inventory.
Emergency cases	“Emergency cases” are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery. Other cases which may require exemption from normal procurement procedure will be limited to the following situations: disasters like floods, fire etc.; system failures and liquidation of an existing supplier/contractor.
Final award	In relation to bids or quotations submitted for a contract, means the actual acceptance of the bid or quote.
Formal written price quotation	Means quotations referred to the MFMA Regulation 12(1) (c).
Historically disadvantaged individual	<p>Historically Disadvantaged Individual (HDI) means a South African citizen who:</p> <ul style="list-style-type: none">- Had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993)(“the Interim Constitution”); and/or- Is female; and/or- Has a disability. <p>Provided that a person, who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.</p>
Immovable assets	All non-produced, non-financial tangible assets, namely land, subsoil assets, water resources and some fixed tangible assets namely fixed structures (bridges, houses and roads).

In the service of the state	<p>Means to be:</p> <ul style="list-style-type: none">- A member of:<ul style="list-style-type: none">o Any municipal council;o Any provincial legislature; oro The National Assembly or the National Council of Provinces;- A member of the Board of directors of any municipal entity;- An official of any municipality or municipal entity;- An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No 1 of 1999);- A member of the accounting authority of any national or provincial public entity; or- An employee of Parliament or a provincial legislature.
Intangible assets	<p>Intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.</p>
Integrated SCM	<p>The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimising the total cost of SCM elements.</p>
Inventories	<p>Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.</p>
Inventory (movable assets) management	<p>It must be possible to determine accountability for all A class-accountable items at all times. Records must therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts must therefore be maintained for all A-class accountable items.</p>
Items	<p>An individual article or unit.</p>
Lifecycle costing	<p>Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.</p>

List of accredited prospective providers	Means a list of accredited prospective providers that a municipality or municipal entity must keep in terms of the MFMA Regulation 14.
Long term contract	Means a contract with a duration period exceeding one year.
Management	“Management” in relation to an enterprise or business, means an activity inclusive of control and performed on a daily basis, by any person who is a principal executive officer of the company, by whatever name that person may be designated, and whether or not that person is a director.
Measurable objectives	Measurable objectives identify very specific things that the municipality intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
MFMA Regulations	Means the Municipal Supply Chain Management Regulations in terms of the MFMA (Act No 56 of 2003)
Movable assets	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc). All inventories and valuables and most fixed assets belong to this category.
Municipal functions	Means: <ul style="list-style-type: none">- A municipal service; and- Any other activity within the legal competence of a municipality.
Municipal property	In relation to a municipality, includes any movable, immovable or intellectual property, owned by or under the control of: <ul style="list-style-type: none">A municipality; orA municipality under the sole or shared control of the municipality.
Net present value (NPV)	The sum that results when the discounted value of the expected costs of an investment is deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
“Non-firm prices”	“Non-firm prices” means all prices other than “firm” prices.
Obsolete	No longer produced or used, out of date, to become obsolete by replacing it with something new.

Official	Official means: <ul style="list-style-type: none">- An employee of a municipality;- A person seconded to a municipality to work as a member of the staff;- A person contracted to work as a member of the staff other than as an employee.
Order	“order” means an official order issued for the supply of goods or rendering of a service in accordance of the accepted price quotation.
Other applicable legislation	Means any other legislation applicable to municipal supply chain management, including – <ul style="list-style-type: none">(a) the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000);(b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);(c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000); and(d) the Prevention and Combating of Corrupt Activities Act, 2004 [Act 12 of 2004].
Operation and maintenance plan	An operation and maintenance plan to ensure assets remain appropriate to programme requirements, are efficiently utilised, and are maintained in the necessary condition to support programme delivery at the lowest possible long-term cost.
Over-utilisation	Over-utilisation can have adverse affects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs.
Practitioner	A person who practises a profession or art.
Procedures	A series of actions conducted in a certain order or manner.
Process	A series of actions or steps towards achieving a particular end.
Project management	Project management is the planning, directing and controlling of an organisation’s resources over a short term to ensure that specific objectives are successfully met.
Provider	A provider is the private person or institution that provides supplies, services or works to Msukaligwa Local Municipality.

Quittance	The acknowledgement by the recipient of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.
Redundant	No longer needed or useful, superfluous (unnecessary).
Regulation	Means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations.
Renewal	Replace or restore (something broken or worn out).
Repairable	Term applicable to assemblies with detail parts breakdown that are economically repairable, and in the normal course of operation are continually returned to a fully serviceable condition over a period less than the life of the end item to which they are related. These assemblies possess economic value either in a serviceable or unserviceable condition.
Responsibility	The obligation imposed on an individual to properly exercise the authority vested in him/her. This involves the power to command and to demand action in the proper execution of the relevant duties.
Risk	Risk refers to the organisation's decision about those risks that it will take and those it will not take in the pursuit of its goals and objectives.
Risk management	Risk management may be defined as the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
Rules	Rules are statements that a specific action must or must not be taken in a given situation.
Salvage	The Act of saving any goods or property in danger of damage or destruction.
Strategic Managers	Means managers who plan, direct, co-ordinate and control the activities of Msukaligwa Local Municipality.
Small, Medium and Micro Enterprise (SMMEs)	Means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more, including its branches or subsidiaries, if any is predominantly in any sector or subsector of the economy and can be classified as a micro-, a small or a medium enterprise by satisfying the criteria for the smallest relevant size or class.
Sourcing	Where to obtain, an item to procure.
Specification	Terminology generally used to describe the requirement for goods.

Spend analysis	Analysis of expenditure per provider, per commodity, per service and item for a specific timeframe.
Stores/stock	All movable state property/assets that are kept in stock for issue purposes.
Strategic goals	Strategic goals are areas of organisational performance that are critical to the achievement of the mission and are statements that describe the strategic direction of the organisation.
Strategic objectives	Strategic objectives are more concrete and specific than strategic goals. It must give a clear indication of what the municipality intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or “results” of actions that the municipality intends taking.
Sub-Contracting	Means the primary contractor’s assigning or leasing or making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract.
Supply chain management	<p>SCM is an integral part of financial management. This function is the collaborative strategy that integrates the planning, procurement and provisioning processes in order to eliminate non-value adding cost infrastructure, time and activities, seeks to introduce international best practices, whilst at the same time addressing Government’s preferential procurement policy objectives and whilst serving the end-users and customers efficiently.</p> <p>Six phases are distinguished in the SCM processes, namely:</p> <ul style="list-style-type: none">- Demand management;- Acquisition management;- Logistics management;- Disposal management;- Risk management; and- Performance management.
Terms of Reference	Term used to describe the requirement for professional services.
Total cost of ownership	The sum of direct spend, related spend, process spend and opportunity cost associated within a specific commodity and service to the owner.

Treasury guidelines	Means the guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA.
Two - stage bidding	Two - stage bidding” is a procedure under which first unpriced 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.
Under-utilisation	Under-utilisation increase the unit cost of programme delivery and may prompt the purchase of new assets when not required.
Unserviceable	The condition of an item that is no longer suitable for use and cannot be economically repaired.
Value for money	Value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.
Written or verbal quotations	Means quotations referred to in the MFMA Regulation 12(1) (b).

5 POLICY STATEMENT

5.1 Introduction

- a. Msukaligwa Local Municipality has to promote economic and employment growth, social and economic development to amongst others redress inequalities thereby advancing a better life for all. To assist in achieving this objective, a supply chain management policy has been developed.
- b. As the third sphere of government, local government represents the level of democracy closest to the community. Local government is directly involved with the provision of services to those communities and with the allocation of resources directly affecting communities.
- c. The local government should create an environment conducive to emerging contractors and Small, Medium and Macro Enterprise (SMME) development.

5.2 Overall Objectives

- a. The purpose of this manual is to provide a set of policy guidelines and procedures to regulate the procurement system of Msukaligwa Local Municipality. The Policies and Procedures are designed to establish a standard procurement system that is cost effective, competitive, equitable, transparent and fair. These broad objectives also incorporate the policy guidelines outlined in Preferential Procurement Policy Framework Act No. 5 of 2000, Preferential Procurement Regulations, 2001, the Constitution and Municipal Finance Management Act No. 56 of 2003.

6 SCM GOVERNANCE STRUCTURES AND ROLES AND RESPONSIBILITIES

6.1 Role of the Municipal Manager (Accounting Officer)

- a. The AO must:
 - i. Take all reasonable steps to ensure that proper mechanisms, delegations (through sub-delegations) and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.
 - ii. Exercise utmost care to ensure reasonable protection of the assets and records of Msukaligwa Local Municipality.
 - iii. The Accounting Officer or delegate is responsible for the preparation and submission of the draft supply chain management policy as well as amendments to the Council of Msukaligwa Local Municipality for adoption.
 - iv. The Accounting Officer must establish the under-mentioned bid committees and must appoint the members of each committee, taking into account that the members must be eligible for the positions.
 - A bid specification committee.
 - A bid evaluation committee.
 - A Bid Adjudication Committee.
 - v. The Accounting Officer or delegate must approve the specifications that are common to more than one group in Msukaligwa Local Municipality.
 - vi. The Accounting Officer must provide for an attendance or oversight process by a neutral or independent observer, appointed by the Accounting Officer, when this is appropriate for ensuring fairness and promoting transparency.
 - vii. The Accounting Officer may procure goods and services for Msukaligwa Local Municipality by utilising the committee system of another municipality in terms of an agreement with that other municipality.
- b. The accounting officer may not:
 - viii. Act in a way that is inconsistent with the responsibilities assigned to the accounting officer in terms of the MFMA.
 - ix. Use the position or privileges of, or confidential information obtained as accounting officer, for personal gain or to improperly benefit another person.

6.2 Bid Specification Committee

6.2.1 Functions of Bid Specification Committees

- a. In the execution of its functions, the Bid Specification Committee must apply all the rules relevant to the compilation of specifications.
- b. The Bid Specification Committee must also take into account the goals that must be promoted and the manner in which it must be recorded to ensure the details of the evaluation criteria.
- c. The Bid Specification Committee must take account of standards issued by Standards South Africa when compiling specifications with which the equipment or material or workmanship should comply.

6.2.2 Establishment of Bid Specification Committees

- a. The SCM Unit is responsible to establish the Bid Specification Committees timely.
- b. The Bid Specification Committee should be established on an ad hoc basis for each requirement. The Bid Specification Committee may also be constituted for a specific period of time should the requirement for writing specifications in a specific environment occur over a period of time.
- c. Once a requirement is identified that should be satisfied, the SCM Unit must facilitate the establishment of a Bid Specification Committee.
- d. The AO or delegate must inform the members of the committee of their appointment to the committee in writing. It should be stipulated for which requirement the committee is constituted.

6.2.3 Composition of Bid Specification Committees

- a. The SCM Unit may, in conjunction with the relevant end-user group and other relevant stakeholders, identify the appropriate person or persons to draft the relevant specification.
- b. Always ensure that the relevant technical expertise is represented on the Bid Specification Committee as well as supply chain expertise where required to assist with the drafting of evaluation criteria.

6.3 Bid Evaluation Committees

6.3.1 Functions of Bid Evaluation Committees

- a. The Bid Evaluation Committee must:
 - i. Evaluate bids in accordance with:
 - The specifications for a specific procurement.
 - The preference point system in terms of the Preferential Procurement Policy Framework Act and as incorporated in the evaluation criteria for the specific requirement.
 - ii. Evaluate each bidder's ability to execute the contract.
 - iii. Check in respect of each bidder whether:
 - Municipal rates and taxes and municipal service charges are not in arrears.
- b. The Accounting Officer or delegate must ensure that, irrespective of the procurement process followed, no award above R30 000 is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order.
- c. If SARS does not respond within 7 days such person's tax matters may be presumed to be in order.
- d. Verify that the recommended bidder is not in the service of the state.
- e. Submit to the Bid Adjudication committee a report and recommendations regarding the award of the bid or any other related matter which should include the result of the compliance officer assessment.

6.3.2 Establishment of Bid Evaluation Committees

- a. The SCM Unit is responsible to establish the Bid Evaluation Committee in a timely fashion.
- b. Once a bid is advertised, the SCM Unit must facilitate the establishment of a Bid Evaluation Committee and obtain approval from the Accounting Officer or the relevant delegated authority. This Committee must be established before the closing date of the bid.
- c. The AO or delegate must inform the members of the committee of their appointment to the committee in writing. It should be stipulated for which requirement the committee is constituted.
- d. As part of the bid evaluation pack, each member must declare its interest in writing pertaining to the specific bid in question.
- e. Should an interest be declared which constitutes a conflict or is regarded as material, the member must recuse him/herself as a member of the Committee. The SCM Unit must then facilitate the appointment of a replacement member to the Committee if the remaining size is not effective.

6.3.3 Composition of Bid Evaluation Committees

- a. The SCM Unit must, in conjunction with the relevant user group and other relevant stakeholders, identify the appropriate persons to serve on the Bid Evaluation Committee.
- b. Every Cluster will nominate:

<i>AMOUNT</i>	<i>DESCRIPTION</i>	<i>PROCESSES</i>	<i>COMMENTS</i>
R 200 000 and above	Composition of the Committee	Tender processes	As per Regulations

6.4 Award Structures

6.4.1 Functions of Bid Adjudication Committees

- a. The Bid Adjudication Committee must consider the report and recommendations of the Bid Evaluation Committee and either make a final award depending on delegations, or make another recommendation to the accounting officer to make the final award.
- b. Make another recommendation to the Accounting Officer on how to proceed with the relevant procurement.
- c. If the Bid Adjudication Committee decides to consider a bid for other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must prior to awarding the bid:
 - i. Check in respect of the preferred bidder whether the bidder's municipal rates and taxes and municipal services charges are not in arrears.
 - ii. Notify the accounting officer.

6.4.2 Establishment of Award Structures

- a. The SCM Unit is responsible to establish the Bid Adjudication Committee in conjunction with the Accounting Officer or delegate.
- b. The delegated officials acting as award structures must be identified by rank in the delegated powers.
- c. The Bid Adjudication Committee may be established for a period, not exceeding two (2) years.
- d. The members of the Bid Adjudication Committee must be informed in writing of their appointment to the Committee.
- e. Predetermined meetings at regular intervals must be held, but the Bid Adjudication Committee may also meet ad hoc if required.
- f. Before the start of the each meeting, each member must declare its interest in writing pertaining to the specific bid(s) in question.
- g. Should an interest be declared which constitutes a conflict or is regarded as material, the member must recuse him/herself as a member of the Bid Adjudication Committee. The SCM Unit must then identify a replacement member for the Committee if the Committee does not comply with the prescribed minimum of 4 Strategic Managers.
- h. The SCM Unit must timely route the recommendations to the Bid Adjudication Committee for consideration.
- i. The SCM Unit must perform secretariat functions for the Committee meetings.

6.4.3 Composition of a Bid Adjudication Committee

- a. The SCM Unit must, in conjunction with the Accounting Officer and other relevant stakeholders, identify the appropriate members to serve on the Bid Adjudication Committee. The identified members must be senior officials.
- b. Always ensure that sufficient financial expertise as well as supply chain expertise is represented on the Bid Adjudication Committee.
- c. Identify who shall be the nominated chairperson should the CFO not be available.

6.4.4 Resolution of Disagreements on Award of Contracts

- a. Should the Bid Adjudication Committee, after the recommendation has been referred back, not obtain consensus with the Bid Evaluation Committee on the final award of the bid, the final recommendations must be submitted to the Accounting Officer for a final decision.
- b. The accounting officer may:
 - i. After due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee.
- c. If the decision of the Bid Adjudication Committee is rejected, refer the recommendation back to that Committee for reconsideration.
- d. The accounting officer may at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or the adjudication committee back to the committee for reconsideration of the recommendation.
- e. Should the Accounting Officer decide to award a bid to a bidder other than the one recommended by the Bid Evaluation or Bid Adjudication Committee and the Bid Evaluation Committee did use the correct process to determine their recommendation, the accounting officer must, in writing, notify the Auditor- General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation, within 10 working days.

6.5 Disposal Committee

6.5.1 Functions of a Disposal Committee

- a. The Disposal Committee subsequently convenes on a date previously arranged by the chairperson of the Disposal Committee.
- b. After the inspection and evaluation of the items the Disposal Committee must make recommendations, which must be included on the disposal certificate.
- c. The Committee must ensure that all disposal actions are accounted for in the financial records.
- d. All the steps in the disposal process must be recorded on the disposal register.
- e. The chairperson signs and dates the disposal certificate.

6.5.2 Establishment of a Disposal Committee

- a. The SCM Unit is responsible to establish the Disposal Committee.
- b. The Disposal Committee must be established on an ad hoc basis for each requirement.
- c. Once a disposal requirement is identified that should be satisfied, the SCM Unit must facilitate the establishment of a Disposal Committee.
- d. The members of the Committee must be informed in writing of their appointment to the Committee.

6.5.3 Composition of a Disposal Committee

- a. The SCM Unit must identify the appropriate officials as members of the Disposal Committee.
- b. In addition to the abovementioned members of the Disposal Committee, the chairperson may at any time during the process of evaluation of specialised stores/equipment, co-opt additional members who possess specialised knowledge in the relevant field in writing.

7 DEMAND MANAGEMENT

7.1 System of Demand Management

- a. An established system will ensure that Msukaligwa Local Municipality can coherently and timely plan for its requirements.

7.2 Establishment of a Cross-Functional Plan

- a. The SCM Unit must facilitate the establishment of the cross-functional team through its demand management function.
- b. Ensure that the team consists of the relevant expertise, but ensure that the size of the team is not of such a nature that it cannot function properly. It may be efficient to include the cross-functional commodity teams for this purpose.
- c. The Team must meet as required in line with the planning and budgetary process of Msukaligwa Local Municipality and must execute all other activities to be aligned with the timing of the planning and budgeting process.

7.3 Integrated Development Plan (IDP) Planning Process

- a. The IDP must set out what Msukaligwa Local Municipality intends doing in the upcoming financial year and the following two years in line with the medium term expenditure framework (MTEF).
- b. The purpose of the IDP budget is to spell out the funds Msukaligwa Local Municipality requests in order to deliver on the measurable objectives and service delivery targets set out in the IDPs.
- c. IDP planning and prioritisation is the starting point for preparation of the IDP submissions as it guides organisational reprioritisation within the medium term baseline allocations. This plan also provides the rationale for policy options regarding changes to baseline allocations over the next 3-year period.
- d. The integration of the IDP planning, budgeting and monitoring of service delivery performance, coupled with effective financial information and advice, will enhance the link between the services that Msukaligwa Local Municipality provide and the benefits and cost of such services.
- e. The IDP must:
 - i. Cover a period of three years and be consistent with Msukaligwa Local Municipality's medium term expenditure estimates.
 - ii. Provide for strategic objectives.
 - iii. Include the measurable objectives and outcomes for Msukaligwa Local Municipality's programmes.
 - iv. Provide for performance measures and targets.

- v. Include details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets, if applicable.
- vi. Include multi-year projections of income and projected receipts from the sale of assets.
- f. The preparation of estimates must be a participative process whereby all end-users and SCM practitioners are involved.

7.4 The IDP Sub processes

- a. The IDP planning process has the following 8 sub-processes:
 - i. Assessment of current and future needs.
 - ii. Assessment of available assets, determining the net requirements.
 - iii. Analysis of past expenditure, determining the availability of specifications/terms of references.
 - iv. Analysis of the supplying industry.
 - v. Determine optimum method to satisfy needs.
 - vi. Determine inventory management inputs.
 - vii. Determine a sourcing strategy.
 - viii. Formulation of the budget inputs.

7.5 Assessment of Current and Future Needs

- a. The official responsible for the demand management function must coordinate the needs analysis and costing of each and every programme in Msukaligwa Local Municipality. To do this the following process must be followed:
 - i. The end-user gives an overview of the detail of his/her IDP. The human resource and financial experts give their guidelines applicable to this plan.
 - ii. The cross-functional team performs a needs analysis to determine the total needs required to support the IDP. The activities within the cross-functional team may be divided and the whole team need not perform all activities together. The needs analysis may include the under mentioned activities:
 - Understanding the future needs in terms of quantity and specification. Forecasting techniques may be utilised in order to determine quantities required should this be warranted by the size and the quantity of the requirement of Msukaligwa Local Municipality.
 - Frequency of the needs.
 - Critical delivery dates.
 - Budgetary requirements.
 - The need for foreign exchange arrangement and coordination.
 - iii. Planning for Information Technology requirements.

- iv. Linking the requirements with the baseline allocations over the next 3-year period.

7.6 Assessment of Available Assets

- a. To do obsolescence planning:
 - i. Obsolescence cost is the difference between the original cost of the item and its salvage value. This only needs to be applied if determined that items may become obsolete.
- b. To do renewal planning.
 - i. The asset renewal planning involves the assessment of existing assets and planned acquisitions against service delivery requirements. This may for example be the replacement of old technology computers with up to date computers.
- c. Determining an asset strategy.
 - i. Asset management decisions should be integrated into the IDP planning process. Following an evaluation of lifecycle costs and the benefits and risks associated with each option, the strategy should identify the most appropriate approach for meeting programme delivery needs.
- d. Determine appropriate mechanisms for accounting and reporting.
- e. Determine the net requirements needed (the difference between total needs required and the available assets).

7.7 Analysis of Past Expenditure

- a. A spend analysis will provide input into sourcing strategies such as consolidated buying and to gain an understanding of historical spend patterns of different items/commodities and services.
- b. Past expenditure on the relevant goods and services must be carefully analysed and the following aspects carefully considered:
 - i. What goods or services have been procured in the past and what were the specifications/terms of reference linked to it?
 - ii. Was the procurement of these goods or services in line with Msukaligwa Local Municipality's annual budget plan for procurement?
 - iii. If the goods or services were available on contract, were they procured from contracted suppliers?
- c. Expert assistance may be sought when compiling specifications or terms of reference. The following aspects must be taken into consideration:
 - i. Specifications/terms of reference are to be based on relevant characteristics and/or performance requirements.
 - ii. Specifications must permit the acceptance of offers of goods that have similar characteristics that will be capable of providing equivalent performance

- iii. The quality of required commodities should not be over-specified to the extent that fair competition is not possible.
- iv. The level of effort put into this activity will be dependent on the importance of the requirement and the quantity required in the foreseeable future.

7.8 Analysis of Supplying Industry

- a. The following aspects must be taken into consideration:
 - i. What exactly is required in terms of goods and services?
 - ii. What is the estimated consumption in terms of quantity and loss?
 - iii. Are the goods and services required currently available in the supplying industry?
 - iv. Are the goods subject to shelf life limitations?
 - v. Who were the past suppliers?
 - vi. Who are potentially the future suppliers?
 - vii. What are the delivery, and lead times of each commodity?

7.9 Determine the Optimum Methods to Satisfy Needs

- a. Calculate the lifecycle cost (LCC) of each commodity:
 - i. Lifecycle costing must include costs from date of purchase until the disposal phase.
- b. Determine cost saving levers:
 - i. The levers for the saving of costs are transversal and therefore applicable to all SCM functions. Cost saving levers can be applied in the following areas:
 - Quicker and more effective and efficient procurement.
 - Just-in-time principle.
 - Value for money.
 - Term contracts for repetitive requirements.
 - Streamlined procedures and control measures.
 - Establishing trained and competent SCM officials.
 - Effective use of procurement stages.
 - Discount for early payments.
 - The regular management of cash flow.
- c. Determine the net present value of each project.
- d. Make use of economies of scale.
- e. Determine total cost of ownership (TCO).

- i. The TCO is used for decisions on ownership of assets. All costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply of the service.
- ii. The cost of ownership should be projected over several years to obtain a balanced result about the actual costs and the influence of the decision on future budgets.
- f. The optimum method to satisfy the needs must be evaluated by the following dimensions to determine the optimum method:

7.9.1 Equity

- a. Measuring equity would assist monitoring the extent to which Msukaligwa Local Municipality has achieved and been able to maintain an equitable supply of comparable services across race groups, regions, and urban and rural areas.

7.9.2 Efficiency

- a. Measuring efficiency seek to reflect how productively resources are translated into service delivery.

7.9.3 Economy

- a. Measuring economy looks at the cost of inputs and mode of production to evaluate whether it is cost-effective.

7.9.4 Effectiveness

- a. Indicators of effectiveness seek to reflect how well the outputs contribute to the achievement of the desired outcomes/objectives/goals.

7.9.5 Value for money

- a. Indicators of value for money explore people's perceptions on whether resources have been used effectively to impact upon specific outcomes.

7.10 Inventory Management Inputs

- a. The question of "how much" is required, should be answered based upon balancing storage cost and ordering cost, which is resolved with the application of an economic order quantity model.
- b. This may, for example, be applied to stationery and computers. In the case of stationery, one will have to determine what number of for instance paper boxes may be ordered at a time to utilise the available storage space.

7.11 Sourcing Strategy

- a. Determine the lifecycle cost of each commodity. Lifecycle cost is a tool to apply the total cost of ownership (TCO) principle. Lifecycle costing includes costs from date of purchase until the requirement is disposed of.
- b. Determine the TCO for each commodity. TCO is widely used for decisions on ownership of assets. It is based on the fact that all costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply or the service.
- c. Setting benchmarks for complying with targets.
- d. Commence with the identification of contract conditions.
- e. A sourcing strategy provides an indication of where the required goods and/or services may be procured, in the best interest of Msukaligwa Local Municipality.
- f. Requirements are not necessarily satisfied from outside sources only. All possible sources of supply should be investigated.
- g. The most appropriate method to satisfy the requirement must be established. In this regard, the range of processes as defined in the subsequent sections must be considered.
- h. One aspect is for instance to investigate the possibility of placing single orders with staggered deliveries in order to meet requirements as they arise, or utilising the just-in-time principle.
- i. Each sourcing strategy per commodity must, when determined, be approved by the Council of Msukaligwa Local Municipality.

7.12 Formulation of the Budget Inputs

- a. The cross-functional team is responsible to give inputs during the preparation step of the following budgets:
 - i. The IDP.
 - ii. The annual budget plan.

7.13 Annual Budget Plan

- a. The purpose of the annual budget plan is to plan the implementation of the multiyear business plan, the budget and other management objectives. It is likely that annual budget plans will be developed for each programme within Msukaligwa Local Municipality and that each Manager is accountable for its annual budget plan.
- b. When the budget for the next financial year is approved, the cross-functional team headed by the SCM Unit develops an annual budget plan for that year. This ensures a direct link between key organisational objectives and what managers and staff are expected to do to meet these objectives.

- c. Specific information on how Msukaligwa Local Municipality will achieve its objectives during the next financial year must be included in the annual budget plan, complete with service delivery indicators. The minimum requirements for information are outlined below:
 - i. Descriptions of the various programmes that Msukaligwa Local Municipality will pursue to achieve its objectives, and for each programme, the measurable objectives, total cost and intended lifespan.
 - ii. Information on any new programmes to be implemented, including the justification for such programmes, expected costs, staffing and new capital, as well as future implications.
 - iii. Information on any programmes and outputs to be scaled down or discontinued during the financial year.

7.14 Business Plan for Acquisition Management

- a. The minimum requirements of information for the business plan for acquisition management are outlined below:
 - i. Detailed description of the programme.
 - ii. Detailed description of the goods and/or services required.
 - iii. Reference to the relevant specification / terms of reference.
 - iv. Funds available.
 - v. Date when required.
 - vi. Quantity required.
 - vii. Reference to the following information:
 - Frequency of requirements.
 - The lead and delivery times.
- b. Acquisition management uses the business plan to start the acquisition process. All the acquisition information is verified.

7.15 Ad Hoc Needs Analysis

- a. The end-user must establish the need, and in the event of an acquisition in excess of the quotation threshold or a term contract, the total value exceeding the quotation threshold the end user must also perform a needs analysis in conjunction with the cross-functional team. Technical expertise may be co-opted to the team.

7.16 Scoping Through a Request for Information (RFI)

- a. A request for information may be published in the media for information to determine the following:
 - i. Products available in the market

- ii. Specifications of these products.
- iii. Availability of these products in the market.
- iv. Possible rates of delivery

7.17 Determining Specifications/Terms of Reference

- a. It is the responsibility of the end-user through the facilitation of the Cross functional Team and the Bid Specification Committee to compile detailed, clear and unambiguous specifications to source proposals.

7.17.1 Compilation of the Specification or Terms of Reference

- a. Standards and technical specifications must promote the broadest possible competition, while assuring those critical elements of performance or other requirements for the goods and services being procured are achieved. As far as possible, accepted standards must to be specified as issued by Standards South Africa [a division of the South African Bureau of Standards (SABS)], the International Standards Organisation or an authority recognised by the South African National Accreditation System (SANAS) with which the equipment or materials or workmanship should comply.
- b. Specifications where possible, must be described in terms of performance required rather than in terms of descriptive characteristics for design.
- c. Specifications may not create trade barriers in contract requirements in the form of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.
- d. Specifications should be based on relevant characteristics and/or performance requirements. References to brand names, catalogue numbers, or similar classifications should be avoided. If it is necessary to quote a brand name the words “or equivalent” should be added after the reference. The specification should permit the acceptance of offers for goods with similar characteristics proven performance at least equivalent to those specified. The quality required may not be over specified to the extent that it will be impossible for others to offer such a product.
 - i. In the case of term contracts, all specifications, drawings etc must be numbered. When specifications are amended, the number must be amended also to indicate the year of the amendment. Thus contract ABC/2004 must be amended to ABC/2005 indicating that the amendment was done in 2005.
 - ii. To simplify the evaluation process, especially in terms of goods, a space should be left on the right hand side of each page, where the bidder must indicate whether the offer complies with the specification or not. Particulars of the offer, such as any deviations, must also be indicated in this space.

7.17.1.1 Contradictory stipulations

- a. Care must be taken to avoid obscurities and contradictions in specifications/TOR.

7.17.1.2 Private sector involvement

- a. It is a sound principle, however not compulsory, that suppliers/service providers of repute should, whenever required, be involved in the drafting of specifications. Therefore, the relevant industrial sector's representative body should, where possible, be involved in the decision of who to invite to serve on Bid Specification Committees.

7.17.1.3 Statutory requirements

- a. Care should be taken to ensure that specifications, where applicable, give effect to the requirements set by other control bodies and that they are not in conflict with stipulated legal or statutory requirements.

7.17.1.4 Conditions in specifications

- a. Bidding and contract conditions must not be included in specifications, but in the remainder of the full bid document.

7.17.1.5 Tolerances

- a. As a rule products cannot be manufactured precisely to dimension. Therefore, a specification of precise dimensions without tolerances will generally not be permitted.
- b. The necessary tolerances, which will take one of the following three forms, must be set:
 - i. A minimum dimension.
 - ii. A maximum dimension.
 - iii. A median dimension with a tolerance to either side.

7.17.1.6 Other factors

- a. Any subjective factors playing a role in the determination of the specification/TOR can be dealt with through specification clauses and specific conditions. A number of broad guidelines may apply, but examples should be given.
- b. Visible or tangible factors, such as colour or style of furniture may be specified.
- c. Where compatibility with existing equipment is required, three broad groupings are identified:
 - i. Cases where the required item has to function with existing equipment, such as office automation equipment.
 - All requirements should be specified, one will be that the equipment must integrate with the existing equipment that must also be specified. Naturally this will then be a primary criterion when evaluating offers.
 - ii. Cases where the item is required as a direct component of existing equipment.
 - The item is regarded as a proprietary spare part and is so specified, with suitable motivation for restricted bidding if required.
 - iii. Cases where the required item must be the same as the existing items.

- It may be necessary, because of the large investment in the existing equipment in terms of capital, inventories and skills, to obtain approval beforehand for specifying the particular product by submitting motivation and the proposed procedure to be followed to the relevant authority.
- d. Where the knowledge and/or skills of individuals or companies are required in respect of services, such as advertising services, facilitating services, etc.:
 - iv. Although creative thinking is involved, the output, desired, may be specified and for purposes of selecting a contractor, certain evaluation criteria may be specified together with points attached to each criterion.
- e. Institutions must ensure that an authority recognised by SANAS is approached in good time for the drafting of proper specifications. Where subjectivity plays a role in a specification, evaluation criteria must form part of the specification. Only then can sound evaluations and recommendations be made on a properly regulated basis and responsible decisions taken in respect of commodities and services.

7.17.1.7 Technical equipment

- a. In respect of technical equipment, apparatus, machinery and fragile goods, the following must be clearly specified so that it may be priced separately for evaluation purposes:
 - i. Whether installation/erection is required.
 - ii. Whether servicing/maintenance is required.
 - iii. Whether demonstration/training is required.
 - iv. The warranty required.
- b. Servicing and maintenance may be divided into the following categories namely:
 - i. Computer Hardware
 - ii. Normal maintenance
 - This would entail a contract for the repair of any broken components of the installed equipment. This might either be during or after the warranty period and should be indicated in the specification if required.
 - Maintenance costs must be specified in terms of hourly tariffs for labour and the actual cost of materials. Therefore, a list of the materials must be included in the bidding documents.
 - iii. Preventative maintenance
 - Preventative maintenance entails a service that is supplied to Msukaligwa Local Municipality to keep the equipment in running order. The details are not specified in the bidding documents.
 - However, where it is known beforehand that certain parts will have to be replaced on a regular basis, these details (how, when, where and on what equipment) must be specified in the bidding documents. Any repairs done should be covered in the normal maintenance contract.
 - iv. Support/standby services

- If Msukaligwa Local Municipality does not wish to enter into maintenance and/or a preventive maintenance contract, a contract for the services of a skilled consultant/individual to rectify faults on equipment may be entered into on an as-and-when required basis.
- v. Computer Software
- Msukaligwa Local Municipality purchases the right to install a certain software product. After the initial licence purchase with a number of concurrent users, the following fees are payable:
 - Entering into an optional maintenance agreement - this would ensure that all version changes, new releases etc. are supplied to Msukaligwa Local Municipality at the nominal monthly/annual cost as determined in the contract.
 - License fees - normally the software houses require that Msukaligwa Local Municipality pay renewal/license fees for the continual use of the product. This amount should normally be paid annually in arrears.
 - In both cases the contract period must be determined and specified, as open-ended contracts are not allowed.

7.17.1.8 User specifications versus technical specifications

- a. A technical specification determines mainly observable characteristics, such as the dimensions of the product and the material of the product must be manufactured from. A user specification on the other hand describes mainly the result, that must be achieved and how compliance must be tested. The onus then rests on the supplier to offer a suitable product. Where appropriate, a special condition must prescribe that the bidder must substantiate its offer by means of a suitable certificate.
- b. It is desirable, wherever possible in practice, to make use of user specifications. These are usually easier to draw up and it stimulates technological development and competition.

7.17.1.9 Specific brands or trademarks only

- a. If, in exceptional cases, a specific brand name or trademark is used in the specification, the words “or equivalent” must be inserted after the brand name or trademark, unless reasons for doing so are provided and approved accordingly.
- b. Specifying a brand name is acceptable where existing equipment is involved and the item comprises a component thereof, which must be of the same brand.
- c. The requirement is still to be advertised in the required media.
- d. Fully motivated requests for the invitation of bids from multiple/single/sole source providers for a specific brand name or trade mark only must be submitted to the relevant award structure for approval prior to the invitation of the bid.

7.17.2 Specification and Terms of Reference Guidelines

- a. Specifications or terms of reference need to include the following, where applicable:

- i. Description of the requirement
- ii. Background.
- iii. Objective of the project, where applicable.
- iv. Quantity/volume applicable.
- v. Plans and drawings.
 - Plans and drawings that reflect the text of the specification. (Please note, that the order of precedence between the drawings and the specifications should be specified.)
- vi. Minimum performance requirements.
- vii. Expected outcomes/deliverables.
- viii. Evaluation criteria including the ratio of points as applicable and the quantification thereof.
- ix. The particulars pertaining to the goal to be met, where applicable.
- x. The delivery date(s), place(s) of delivery and/or the contract period applicable. In the case of period contracts a period of time for completion of the contract must always be prescribed in the relevant bid documents. This period of time must also be precisely stated, e.g. “contract period: 24 months”. Statements such as “within x months” or “before x months” must not be used.
- xi. Schedule for service delivery or completion date.
- xii. Shelf life, where applicable.
- xiii. Packaging, where applicable.
- xiv. Whether installation/erection is required and if affirmative, an indication of the place/address where the installation/erection must take place.
- xv. Whether demonstration/training is required and if affirmative, an indication of the place/address where the demonstration/training must take place.
- xvi. Whether a performance guarantee is required. Full particulars, amount and reasons must be given.
 - Performance guarantees should be commensurate with the degree of contractual risk to which Msukaligwa Local Municipality is exposed and are normally applicable to large and complex contracts. Performance guarantees should spread the cost of the risk of failure between the contracting parties and should be set at such a level that all Msukaligwa Local Municipality’s costs relating to such failure are likely to be recovered.
- xvii. The warrantee requirement and period applicable.
- xviii. Whether samples must be submitted and whether the samples must be tested before the award of the contract. Reasons for testing should be given.

- Where samples must be submitted, the special conditions should state that samples must be submitted not later than the closing time or the date and time specified in the bidding documents.
- Samples must be properly labelled to show the:
 - Contract number.
 - Item number.
 - Name of tenderer.
- xix. Indicate inspection, testing, analysis, standards or method requirements, where applicable. Where tests, inspections and analyses are a bid condition, the bid documents should specify that the premises of the bidder should be open at all reasonable hours for inspection by a representative of Msukaligwa Local Municipality acting on behalf of Msukaligwa Local Municipality.
- xx. Price particulars applicable.
- xxi. The most common types of contracts provide for payments on the basis of lump sum prices, unit prices, reimbursable cost plus fees, or combinations thereof.
- xxii. Reimbursable cost contracts are acceptable only in exceptional circumstances, such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy. Such contracts should include appropriate incentives to limit costs and may only be concluded subject to the approval of the Accounting Officer or the delegate. It is advisable that the reasons and formal approval for following the reimbursable route are recorded for auditing purposes.
- xxiii. Indicate in the case of capital goods, whether foreign export credit facilities should be utilised.
- xxiv. Competency and expertise requirements.
- xxv. Roles assigned to role players, where applicable.
- xxvi. Reporting requirements, where applicable.
- xxvii. Available documentation pertaining to the specific project, where applicable.

7.18 Planning For Publication

- a. Past experience has shown the tendency to invite bids or place orders for goods or services near the end of the financial year in order to spend unused funds in the budget. This practice places extreme pressure on both providers and SCM practitioners.
- b. It is, therefore, imperative to ensure that it is known when advertisements must be submitted for timely publication.

7.19 Goods Necessitating Special Safety Arrangements

- a. Msukaligwa Local Municipality should refrain from bulk acquisition and storage of goods, including gasses and fuel, which necessitate special safety arrangements. Where an Accounting Officer or delegate justifies the storage of bulk goods, such justification must

be based on sound reasons including the total cost of ownership, cost advantages for Msukaligwa Local Municipality and environmental impact.

7.20 Public-Private Partnerships

- a. Before Msukaligwa Local Municipality initiates feasibility study for a public-private partnership contemplated in Section 120(4) of the Act, the Accounting Officer of the municipality must:
 - i. Notify the National Treasury and the Provincial Treasury in writing of the municipality's intention, together with information on the expertise within the municipality to comply with that section of the Act.
 - ii. If requested to do so by the National Treasury or the Provincial Treasury, appoint a person with appropriate skills and experience, either from within or outside the municipality, as the transaction advisor to assist and advise the municipality on the preparation and procurement of the public-private partnership agreement.
- b. The abovementioned also applies when Msukaligwa Local Municipality in terms of Section 78(2) of the Municipal Systems Act explores the provision of a municipal service through an external mechanism to be appointed in terms of a public private partnership agreement.
- c. The feasibility study must:
 - i. Identify and define the activity which the municipality proposes to outsource to a private party.
 - ii. Assess the needs of the municipality in respect of such activity, including:
 - The various options available to the municipality to satisfy those needs.
 - The advantages and disadvantages of each option.
 - iii. Assess the projected impact of the proposed outsourcing of the activity to a private party on the staff, assets, liabilities and revenue of the municipality under the sole or shared control of the municipality, which must include an assessment of:
 - The number of officials of the municipality that would become redundant as a result of the outsourcing of the activity.
 - The cost to the municipality of any staff retrenchments or the retention of redundant staff.
 - Any assets of the municipality proposed to be placed under the control of the private party.
 - Any assets of the municipality that would become obsolete as a result of the outsourcing of the activity.
 - Any liabilities of the municipality proposed to be assigned to the private party.
 - Any debt of the municipality attributed to the activity to be outsourced which the municipality would retain.
 - Any revenue to be foregone by the municipality as a result of the outsourcing of the activity.

- iv. Recommend an appropriate plan for the procurement of the proposed public private partnership agreement, if outsourcing of the activity is the preferred option.
- d. An assessment must show comparative projections of:
 - i. The full costs to the municipality for the activity if that activity is not outsourced through a public-private partnership agreement.
 - ii. The full costs to the municipality for the activity if that activity is outsourced through a public-private partnership agreement.
- e. The abovementioned process need not be complied with if the activity is a municipal service in respect of which an assessment in terms of Section 78(3)(b) and a feasibility study in terms of section 78(3)(c) of the Municipal Systems Act have already been carried out, provided that:
 - i. Such assessment and feasibility study cover the matters referred to in regulations 3(1) and (2).
 - ii. The documents reflecting the results of such assessment and feasibility study are included in the documents submitted to the Council in terms of Section 120(6) of the Act.
- f. The identification of a need rests with the division, which requires the need. The relevant division completes a request memo and should be approved by the relevant director. The request memo will be sent to SCM where the necessary details are captured in the requisition book and approved, where after it is sent to Finance for further approval by the CFO. After CFO approval is obtained, the requisition book is sent back to SCM for order.
- g. Information regarding the anticipated requirements of division may not be made public without the prior approval of the Municipal Manager /or the Director. Similarly negotiations with potential suppliers may not take place beforehand without the express approval of the Municipal Manager/ Director.

8 LIST OF ACCREDITED PROSPECTIVE PROVIDERS

8.1 Establishment of the List of Accredited Prospective Providers and panel of service providers

8.1.1 Establishment Details

- a. Msukaligwa Local Municipality must, every year, through an advertisement placed in the local representative newspaper(s) or the Msukaligwa Local Municipality website and if so decided, the Government Tender Bulletin, invite prospective providers or panel of service provider to apply for evaluation and listing in different commodities categories and regions/areas, as an accredited prospective provider.
- b. Msukaligwa Local Municipality needs to compile the list per commodity, categories, subcategories, regions/areas and if required, monetary categories to provide for capacity. If one list is compiled without differentiation between categories and regions/areas, it will be difficult to efficiently administer the list.

8.1.2 Application Details

- a. The following essential information must be obtained from each prospective provider to enable Msukaligwa Local Municipality to establish a provider profile:
 - i. Name of the entity/individual.
 - ii. Physical and postal address.
 - iii. Entity type, for example public company, private company, closes corporation, partnership, or sole trader.
 - iv. Appropriate registration numbers.
 - v. Contact details, such as telephone number, facsimile numbers and e-mail if applicable.
 - vi. Name(s) of director(s), member(s), partner(s) and owner(s)/principal(s) of the entity.
 - vii. Annual turnover of the entity/individual.
 - viii. HDI equity profile of the entity.
 - ix. BEE profile of the entity.
 - x. Proof that tax affairs are in order (compulsory).
 - xi. List of products/services offered, linked to requirement categories and regions/ areas applicable as determined by Msukaligwa Local Municipality.
 - xii. Capacity and capability should be indicated for the entity.
 - xiii. Specific expertise vested in the entity/individual, linked to requirement categories and regions/ areas applicable as determined by Msukaligwa Local Municipality.
 - xiv. A list of relevant previous/current projects with at least two (2) contactable references.
 - xv. Bank details (physical, postal and electronic banking address).

8.1.3 Evaluation and Approval for Listing

- a. The listing criteria for accredited prospective providers or panel of service providers must be specified.
- b. The provider's compliance with the essential requirements must be evaluated to determine whether the entity will be placed on the list of accredited prospective providers.
- c. The assessment criteria referred to above, to determine placement of the prospective provider on the list, must be determined prior to the request being sent out and based on the categories chosen for the list, it may be the following:
 - i. Sufficient expertise vested in the entity/individual linked to requirement categories of Msukaligwa Local Municipality.
 - ii. At least 2 (two) contactable references of previous/current projects proving the capability of the entity/individual.
 - iii. Proof of sufficient capacity.
- d. All information pertaining to the providers must be treated as confidential and maintained as such.
- e. After closing of registration, the list is compiled, the relevant Bid Evaluation Committee evaluates the applications and makes a recommendation to the relevant award structure that will consider and approve the recommended list.
- f. Msukaligwa Local Municipality must prevent the listing in the following circumstances:
 - i. Any prospective provider whose name appears on the National Treasury's database as a provider prohibited from doing business with the public sector.
 - ii. A provider whose name appears on the Register of Tender Defaulters.
 - iii. A provider who has been placed in to liquidation.
 - iv. Provider whose tax affairs are not in order.
 - v. Provider involved in proven bribery, fraud and corruption.
 - vi. Provider who has not registered in accordance with statutory requirements.
 - vii. Successful applicants must be informed and reasons for non-inclusion in the list must be furnished to the unsuccessful applicants on request.

8.1.4 Updating Of the List

- a. The Accounting Officer or delegate must prevent the listing of any prospective provider whose name appears on the National Treasury's database as a provider prohibited from doing business with the public sector.
- b. A provider that did not qualify for placement on the list during the first round, can re-apply to be included in the list of accredited prospective providers if their status changed and it is felt that they will now conform to the requirements.

- c. Prospective providers may provide their details on a continuous basis for consideration by completing the application form, but they will only be considered for placement on the list on a quarterly basis with effect from the next quarter.
 - i. Collect all the requests for placement on the list over the period of the quarter and then evaluate it together.
- d. Should Msukaligwa Local Municipality wish to consider providers for placement on the list on a more regular basis, they are free to do so.

8.2 Utilisation Procedure

- a. When using the list of accredited prospective providers, the Accounting Officer or delegate must:
 - i. Promote ongoing competition amongst providers, such as inviting providers to submit quotations on a rotation basis.
 - ii. Take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused.
 - iii. On a monthly basis, be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation.
 - iv. Promote the objectives of the Broad-based Black Economic Empowerment Act.
- b. Once the list has been established per commodity, quotations should be invited there from.
- c. Successful applicants are numbered and depending on the number of providers listed per category and regions/areas, quotations should preferably be invited from all the listed providers per commodity to promote ongoing competition.
- d. The invitation per commodity should be done on a rotation basis in the event that there are too many names on the list of prospective providers per commodity, for example by requesting at least three (3) providers to quote each time.
- e. No accredited prospective provider that provided a quote after being requested to do so may be approached to quote again before all providers for a specific commodity had the opportunity to quote.
- f. Msukaligwa Local Municipality must manage and utilise all its prospective providers efficiently and effectively.
- g. Records (manual or electronic) must be kept to record full particulars of price quotations obtained from the list.
- h. Where no suitable providers are available from the list of prospective providers, quotations may be obtained from other possible providers. If it is not possible to obtain quotations, the reasons should be recorded and approved by the Accounting Officer or his/her delegate.

8.3 Removal from the list of accredited prospective providers

- a. A provider must be removed from the provider list under the following circumstances:
 - i. The entity ceases to exist.

- ii. Sole proprietor dies.
 - iii. Liquidation/sequestration of the entity.
 - iv. Continual proven non-delivery (two and more times) or unable to meet minimum specification continuously.
 - v. Non-compliance with legislation or statutory requirement e.g. its tax status.
 - vi. Proven fraud and/or corruption.
 - vii. On provider's request.
 - viii. By mutual agreement, in writing.
- b. Where required, the relevant legal expertise will assist in ensuring that the correct processes are followed to deal with providers fairly in executing this process.

9 ACQUISITION MANAGEMENT: SYSTEM AND PROCESS HIERARCHY

9.1 System of Acquisition Management

- a. Acquisition management is the process and management of procuring goods, services and works.
- b. The system of acquisition management must ensure avoidance of unauthorised, irregular, fruitless and wasteful expenditure.
- c. This supply chain management manual, except where provided otherwise in this manual, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including:
 - i. Water from the Department of Water Affairs or a public entity, or another municipality.
 - ii. Electricity from Eskom or another public entity, another municipality.
- d. The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system:
 - i. The kind of goods or services.
 - ii. The name of the supplier.

9.2 Hierarchy for Satisfying Requirements

- a. Obtaining goods and services do not mean that these requirements should only be procured from outside sources. As part of acquisition management, all possible methods of obtaining requirements should be considered. This starts first with an internal hierarchy of satisfying requirements. Hereafter the hierarchy for satisfying requirements from external sources maybe applied. Together with this, the specific rules pertaining to specific products and circumstances such as PPPs and Information Technology must be taken into account.

9.3 Requirements from Pre-Established Sources

- a. There are a number of pre-established sources that may be considered. Goods or services may also be available from other government institutions.

9.3.1 List of Redundant, Obsolete Materials and Supplies

- a. Groups within Msukaligwa Local Municipality must ensure that the requirement is not available on the internal redundant or obsolete materials list.
- b. Draw from the relevant store according to the prescribed process.

9.3.2 Items in Stock

- a. Obtain from stock according to the prescribed process. An example of this is stationery.

9.3.3 Items on a Pre-Established Msukaligwa Local Municipality Contract

- a. Investigate whether the requirements are available on an existing contract arranged by Msukaligwa Local Municipality. If the requirement is available on contract, order accordingly.
- b. The non-utilisation of a contract could be regarded as breach of contract and will be regarded as breach of procedure.

9.3.4 Sourcing From Other Organs of State

- a. Services and goods that are the core function of a specific government institution may be sourced from or through the auspices of such an institution such as electricity and water provision and Telkom telephone landline services. In such instances the sourcing takes place without the intervention of the National Treasury. However, should the government institution not be able to assist Msukaligwa Local Municipality, the normal acquisitioning procedures should apply.

9.3.5 Procurement of Goods and Services under Contracts Secured By Other Organs of State

- a. The accounting officer may procure goods or services for Msukaligwa Local Municipality under a contract secured by another organ of state, but only if:
 - i. The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state.
 - ii. That other organ of state and the provider have consented to such procurement in writing.
 - iii. There is no reason to believe that such contract was not validly procured.
 - iv. There are demonstrable discounts or benefits to do so.

9.4 Directives for Specific Types of Requirements

9.4.1 Procurement of It Related Goods and Services

- a. The accounting officer may request the State Information Technology Agency (SITA) to assist Msukaligwa Local Municipality with the acquisition of IT related goods and services through a competitive bidding process.
- b. The parties must enter into a written agreement to regulate the services rendered by and the payments to be made to SITA.
- c. The Accounting Officer or delegate must notify SITA together with a motivation of the IT needs of Msukaligwa Local Municipality if:
 - i. The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included).
 - ii. The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

- d. If SITA comments on the submission and Msukaligwa Local Municipality disagrees with such comments, the comments and the reasons for disagreement with such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor-General.

9.4.2 Public Private Partnerships

- a. When complying with Part 2 of Chapter 11 of the Act, the Accounting Officer of the Msukaligwa Local Municipality must solicit the views and recommendations of the National Treasury and the Provincial Treasury on:
 - i. The proposed bid documentation at least 30 days before bids are publicly invited.
 - ii. The evaluation of the bids received and of any preferred bidder at least 30 days before any award is made.
- b. An award of a public-private partnership agreement:
 - i. May be made only after the process set out in section 120(6) of the Act has been completed.
 - ii. Is subject to compliance with Section 33 of the Act.
- c. When complying with Section 120(6)(c)(i) of the Act, the municipality must specifically solicit the views and recommendations of the National Treasury on:
 - i. The proposed terms and conditions of the draft public-private partnership agreement.
 - ii. The municipality's plan for the effective management of the agreement after its conclusion.
 - iii. The preferred bidder's:
 - Competency to enter into the public-private partnership agreement.
 - Capacity to comply with the obligations in terms of the public-private partnership agreement.
- d. When complying with Section 120(6) (c) (iv) of the MFMA the municipality must specifically solicit the views and recommendations of the provincial treasury on the matters set out in paragraph 4.2.3.
- e. A public-private partnership agreement between the municipality and a private party must:
 - i. Provide value for money to the municipality.
 - ii. Be affordable for the municipality.
 - iii. Describe in specific terms the nature of the private party's role in the public private partnership.
 - iv. Confer effective powers on the municipality:
 - To monitor implementation of and to assess the private party's performance under the agreement.
 - To manage and enforce the agreement.

- v. Impose financial management duties on the private party, including transparent processes relating to internal financial control, budgeting, and accountability and reporting.
- vi. Provide for the termination of the agreement if the private party:
 - Fails to comply with terms or conditions of the agreement.
 - Deliberately provides incorrect or misleading information to the municipality.
- vii. Restrain the private party, for the full period of the agreement, from offering otherwise than in accordance with the agreement an employment, consultancy or other contract to a person:
 - Who is an official of the municipality under the sole or shared control of the municipality.
 - Who was such an official at any time during a period of one year before the offer is made.
- viii. Restrain the private party, for a period of three years, from offering and employment, consultancy or other contract to an employee of the municipality directly involved in the negotiation of the agreement.
- ix. Comply with Section 116(1) of the Act.
- f. Any municipal employee participating in the negotiation of the public-private partnership agreement may not be employed by the private party in the public private partnership for a period of three years.
- g. Only the Accounting Officer of Msukaligwa Local Municipality may sign a public private partnership agreement on behalf of the municipality.
- h. The Accounting Officer may not sign a public-private partnership agreement unless Section 33 of the Act has been complied with.
- i. As soon as the municipality initiates a project that may be a public-private partnership, the Accounting Officer must appoint a person with appropriate skills and experience, either from within or outside the municipality, as the project officer for the public-private partnership.
- j. The project officer is responsible to perform:
 - i. The duties set out in Section 116(2) (c) (i) and (ii) of the Act.
 - ii. Any other duties or powers delegated by the Accounting Officer to the project officer in terms of Section 79 of the Act.
- k. The Accounting Officer of Msukaligwa Local Municipality must in addition to complying with Section 116(2) of the Act, take all reasonable steps to ensure:
 - i. That the outsourced activity is effectively and efficiently carried out in accordance with the agreement.
 - ii. That municipal property under the control of the private party in terms of the agreement is appropriately protected against forfeiture, theft, loss, wastage and misuse.
 - iii. That the municipality has contract management and monitoring capacity.

- iv. A public-private partnership agreement may be amended by the parties provided:
 - v. Section 116(3) of the Act has been complied with.
 - vi. The amendment is consistent with the basic essentials of public-private partnership agreements set out in regulation 5 and other applicable provisions of the PPP regulations.
1. At least 60 days before a public-private partnership agreement is amended, the Accounting Officer must solicit the views and recommendations of the National Treasury and the Provincial Treasury on the reasons for the amendment. The period may be shortened if the National Treasury and Provincial Treasury respond earlier.

9.4.3 Building, Engineering Or Construction Works

9.4.3.1 Sureties And Retention

- a. The accounting officer may decide whether bidders should supply securities at the bidding phase. Bid security should not be set so high as to discourage bidders. Bid security should remain valid for a period of four weeks beyond the validity period for the bids, in order to provide reasonable time for the municipality / municipal entity to act if the security is to be called. Should the recommended bidder or the contractor withdraw his/her bid prior to the award of the bid or commencement of the contract, the bidder/supplier may forfeit his security to the municipality / municipal entity. Bid securities should be released to unsuccessful bidders once it is determined that they will not be awarded the contract.
- b. Risk management procedures should determine the need for and form of bid sureties. Risk should be allocated in the best interest of the state by means of proper risk analyses and management. Each accounting officer should decide whether the municipality / municipal entity or the supplier should bear the risk.
- c. In the event that a contractor is unable to raise the required surety for only contract price to a range up to R500 000, MSUKALIGWA LOCAL MUNICIPALITY may allow such to be deducted in full or part over three payment certificates in equal amounts.
- d. Retention should however be deducted on each payment claimed as per the payment certificate until end of the contract.

9.4.3.2 Insurance

- a. Contractors are responsible for presenting proof of public liability insurance for the duration of a project as well as contributions to insurance for equipment and occupational health and safety act.

9.4.3.3 Cession

- a. The municipality will accept signed cessions by the SMMEs to suppliers or as support to the municipality's Enterprise development strategy so that payments for supplies can be paid directly from the municipality to the supplier to ensure continuous delivery of materials for the duration of the contract. Where sessions are accepted the utmost care should be taken to ensure that the municipality is indemnified against these cessionaries.

- b. In any other circumstances, MSUKALIGWA LOCAL MUNICIPALITY can only accept duly signed cession up to 70% of the value of the contract and that the obligation to execute the assignment remains with the main contractor.

9.4.3.4 Penalties

- a. A penalty based on the balance of the contract amount per day may apply for late performance of the contract:
- b. MSUKALIGWA LOCAL MUNICIPALITY shall levy a penalty equal to the value of the surety to any bidder should the bidder subsequent to the signing of contract not implement the project due to factors caused by him/her which will lead to the cancellation of the contract and the appointment of the new bidder. The amount will serve to compensate for administration cost and other related costs.
- c. The Accounting Officer in his sole discretion may reduce or waive the above penalty.

9.4.4 Procurement of Banking Services

- a. Banking services must be procured through competitive bids, must be consistent with section 7 of the MFMA and may not be for a period of more than five years at a time.
- b. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- c. 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.
- d. Msukaligwa Local Municipality may not open a bank account:
 - i. Abroad.
 - ii. With an institution not registered as a bank in terms of the Banks Act, Act No 94 of 1990.
 - iii. Otherwise than in the name of Msukaligwa Local Municipality.
 - iv. Without the approval of its Council.

9.4.5 Appointment of Consultants

- a. The contents of the specific section for the appointment of consultants must be applied in line with the prescribed instructions.

9.4.6 Disposals and Rentals

- a. Bids in these categories are dealt with in the same manner as other bids with the exception that since revenue is applicable; the objective is to receive the highest bidding price.

9.4.7 Term Contracts

- a. A term contract is a contract entered into for the supply of goods, the rendering of services or the disposal of movable assets over a specified period of time, but not less than one year. This is regarded as a good sourcing strategy in relevant circumstances to improve efficiency.
- b. A specific term contract is a contract arranged for the specific repetitive requirements of only Msukaligwa Local Municipality. The period of time for completion of the contract must always be prescribed in the relevant bid documents.
- c. The SCM Unit must arrange and renew, if necessary, term contracts for requirements of a repetitive nature through the invitation of competitive bids.
- d. Orders for items available on such a term contract must be placed irrespective of the value of the order unless a specific cap has been placed on the value of a single order or the amount to be spent by a specific group.

9.5 Procure Requirements from External Sources

- a. In order to determine the appropriate procurement process in the range of procurement processes for satisfying the requirement from external sources, it is necessary to first decide the estimated monetary value of the project inclusive of VAT and then to determine the monetary threshold of the activity. For term contracts, the total value of the contract for the entire period must be calculated to determine the monetary threshold of the contract. Goods and services may not deliberately be split into parts or items of a lesser value merely to avoid following the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

9.5.1 Monetary Thresholds

- a. The thresholds set (inclusive of VAT), are as follows:
 - i. Petty cash transactions up to the monetary value of R2 000.00 (VAT included).
 - ii. Written or verbal quotations above R2 000 and up to R10 000 (VAT included).
 - iii. Formal written price quotations above R10 000 and up to R200 000 (VAT included).
 - iv. Competitive bids for procurement of goods or services and long term contracts above R200 000.

9.5.2 Requirements Not Available From a Local Supplier (Procurement from Abroad)

- a. Should a requirement not be available from a local supplier within South Africa, international sourcing may be considered.

9.6 Deviation from Official Procurement Processes

- a. The accounting officer may dispense with the official procurement processes established by the policy to procure any required goods or services through any convenient process, which may include direct negotiations, but only:
 - i. In an emergency (see section 16, paragraph 8.5 for more detail).
 - ii. If such goods and services are produced or available from a single provider only.
 - iii. For the acquisition of special works of art or historical objectives where specifications are difficult to compile.
 - iv. Acquisition of animals for zoos and/or nature and game reserves.
 - v. In any other exceptional case where it is impractical to follow the official procurement processes.
- b. The Accounting Officer may ratify any minor breaches of the procurement processes by an official or a committee acting in terms of delegated powers or duties which are purely of a technical nature. This will however still have to be reported to the next meeting of the Council and included as a note to the Annual Financial Statements.

10 ACQUISITION MANAGEMENT: RANGE OF PROCUREMENT PROCESSES AND THRESHOLDS EXCLUDING CONSULTANTS

10.1 Petty Cash Transactions Up To A Value of R2 000 (VAT Included)

- a. In accordance with the petty cash policy, Msukaligwa Local Municipality may procure supplies without inviting price quotations or bids up to a transaction value of R2 000.
- b. The intention of petty cash is to facilitate the smooth running of the office with the least administration and where quotations cannot be practically obtained.
- c. The following conditions apply to petty cash:
 - i. The thresholds indicated in the petty cash policy for the daily float must be strictly adhered to.
 - ii. Cash purchases may only be made against available funds.
 - iii. Each manager is restricted to the number of transactions/value of petty cash transactions for the month determined in the Delegation of Authority Document.
 - iv. All transactions must be recorded and documentary evidence must be submitted. Proof of payments is a cash register slip or receipt, and not the invoice, unless the invoice has been endorsed with proof of payment.
 - v. Should the value of a transaction exceed the prescribed transaction value, the petty cash procedure must not be used.
- d. Subdivision of requirements to circumvent the required procurement processes will not be tolerated.
- e. The procedure followed for a petty cash transaction must be as prescribed in the financial policy.

- f. The petty cash procedure must not be utilized under the following circumstances:
 - i. Items available on contract;
 - ii. Items available from other pre-established sources;
 - iii. Professional services;
 - iv. Catering services; and
 - v. Office refreshments.

10.2 Written or Verbal Quotations Above R2 000 Up To R10 000 (Vat Included)

- a. At least 3 verbal quotations must be obtained, where applicable, preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers in the correct category, provided that if quotations are obtained from providers not on the list, such providers must meet the listing criteria required.
- b. Verbal quotations are usually not accompanied by specifications and conditions and may be requested telephonically. The date of submission and address where it must be submitted to in writing, must be indicated when the request is made telephonically.
- c. The intention is to endeavour to receive 3 quotations provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria specified.
- d. If it is not possible to obtain at least 3 quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or the delegate.
- e. The Accounting Officer or delegate must record the names of the potential providers requested to provide such quotations with their quoted prices.
- f. The successful quotation must be confirmed per facsimile or per e-mail as the order may only be placed against written confirmation from the selected provider. It therefore makes business sense to ask all the providers to confirm their quotes in writing, even though the information may not be detailed. This would avoid having to record the information given by the provider over the phone.
- g. The Chief Financial Officer should, on a monthly basis, be notified of all verbal or written quotations accepted with a view to ensure that the method of procuring goods and services by way of written or verbal quotations is not abused.

10.3 Formal Written Price Quotations above R10 000 and Less Than R30 000 (VAT Included)

- a. The SCM Unit must invite formal price quotations in writing from as many providers as possible that are registered on the list of accredited prospective providers in the relevant category and region. If there are too many providers on the list for the specific commodity, invite quotations from at least five (5) providers at a time and apply the rotation principle. When using the list of accredited prospective providers, the Accounting Officer or delegate must promote ongoing competition amongst providers.
- b. The request for quotations must indicate the closing date and time, the address where it must be submitted, the validity period and the address where the supplies must be delivered or the

services must be rendered. The request for quotations must contain a sufficiently detailed specification. It may also include special conditions.

- c. If deemed necessary, the Accounting Officer may apply the prescripts of the PPPFA and its Regulations for procurement in this category.
- d. Where no suitable or not sufficiently suitable providers are available from the list, other possible providers not on the list may be contacted to solicit quotations from provided that such providers meet the listing criteria in the SCM policy. The intention is still to endeavour to obtain at least 3 quotations if possible.
- e. If it is not possible to obtain at least 3 quotations, the reasons should be recorded and approved by the CFO or the delegate. The delegate must within three days of the end of each month report to the CFO on any approvals given during that month.
- f. The Accounting Officer or delegate must record the names of the potential providers and their written quotations.

10.4 Formal Written Price Quotations from R30 000 Up To R200 000 (VAT Included)

- a. The SCM Unit must invite quotations in writing from as many providers as possible that are registered on the list of accredited prospective providers in the relevant category. If there are too many providers on the list for the specific commodity, invite quotations from at least five (5) providers at a time and apply the rotation principle. When using the list of accredited prospective providers, the Accounting Officer or delegate must promote ongoing competition amongst providers.
- b. The request for quotations must indicate the closing date and time, the address where it must be submitted, the validity period and the address where the supplies must be delivered or the services must be rendered. The request for quotations must contain a sufficiently detailed specification. The prescripts of the PPPFA and its Regulations must be applied. It may also include special conditions of contract if required over and above the normal conditions.
- c. Where no suitable providers are available from the list, other possible providers not on the list may be contacted to solicit quotations from, provided that such providers meet the listing criteria in the SCM policy. The intention is still to endeavour to obtain at least 3 quotations if possible.
- d. If it is not possible to obtain at least 3 quotations, the reasons should be recorded and approved by the Accounting Officer or the delegate.
- e. All procurement in excess of R30 000 and up to R200 000 that are procured by means of formal written price quotations must also be advertised for at least seven (7) calendar days on Msukaligwa Local Municipality's official notice Board and its website.
- f. The Accounting Officer or CFO must, on a monthly basis, be notified in writing of all quotations accepted by an official acting in terms of a sub-delegation and requirement for proper record keeping.

10.5 General Preconditions for Consideration of Written Quotations or Bids

- a. A written quotation or bid may not be considered unless the provider that submitted the quotation or bid:
 - i. Has furnished Msukaligwa Local Municipality with that provider's:
 - Full name
 - Identification number or company or other registration number.
 - Tax reference number and VAT registration number, if any.
 - b. Has authorised Msukaligwa Local Municipality to obtain a tax clearance from the South African Revenue Services.
 - c. Has indicated:
 - i. Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.
 - ii. If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.
 - iii. Whether a spouse, or child or parent of the provider or of a director, manager, shareholder or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.

10.6 Competitive Bidding Process above R200 000

- a. 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.

10.6.1 Options To Consider

- a. There is a hierarchy of options within this category that must be considered as part of determining the sourcing strategy and the procurement process during the demand management and acquisition management phases. Each option must indicate under which circumstances it is recommended for utilisation. The first option in the hierarchy affords the greatest opportunity for competitiveness and the promotion of preferential procurement. Circumstances do occur, that make the use of the open bidding process impracticable, impossible or very cumbersome. The utilisation of subsequent options offers less opportunity for competition and promotion of preferential procurement and therefore requires proper justification for utilisation in the determining of the procurement processes. These processes are further explained hereunder for each of the following stages:
 - i. The compilation of bidding documentation.
 - ii. The public invitation of bids.
 - iii. Site meetings or briefing sessions, if applicable.

- iv. The evaluation of bids.
- v. The award of contracts.
- vi. The administration of contracts.
- vii. Proper record keeping.

10.7 Competitive Bidding

- a. Competitive bidding is where open competition exists and the requirement is advertised timely for all prospective bidders to participate and therefore allowing unfettered competition.
- b. Competitive bidding also includes two-stage bidding, pre-qualifying bidders and the establishment of a list of approved providers.

10.7.1 Advertised Bids

- a. The Bid Specification Committee must compile a comprehensive specification for the required goods or functional services, or terms of reference (TOR) in the case of professional services or the appointment of consultants.
- b. The Bid Specification Committee, on receipt of approval from the relevant delegated authority, must supply the SCM Unit with the specification/TOR.
- c. The SCM Unit must administer the whole procurement process including advertising in the relevant media.
- d. The SCM Unit must compile a complete bid document, must invite bids, receive bids and facilitate evaluation of bids, then clear successful bidders and facilitate award.

10.7.2 Two-Stage Bidding

- a. Normally the invitation to bid for major contracts is preceded by a detailed design and engineering of the goods and services to be provided, including the preparation of technical specifications and other bidding documents. However, in the case of contracts for large complex plants or works of a special nature, or where it is undesirable to prepare complete detailed technical specifications, or long term projects with a duration period exceeding three years, 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. In the first stage (unpriced) technical proposals on conceptual design or performance specifications must be invited, subject to technical as well as commercial clarifications and adjustments. In the second stage final technical proposals and priced bids must be invited with amended bidding documents. These procedures could also be appropriate in the procurement of equipment that is subject to rapid technological advances, such as major computer and communications systems.
- b. Subject to approval by the Accounting Officer or the delegate, Msukaligwa Local Municipality may engage in procurement by means of two-stage bidding, or request for proposals, in the following circumstances:

- i. If it is not feasible for Msukaligwa Local 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.
 - ii. If it seeks bids, proposals or offers as to various possible means of meeting its needs.
 - iii. When Msukaligwa Local Municipality seeks to enter into a contract for the purpose of research or study.
- c. The prescripts of the PPPFA and its Regulations must always be adhered to. The Regulations do allow that the points prescribed for price is split into points for price and functionality. The method of evaluation, including the allocation of points, must be clearly specified in the bidding documents.

10.7.3 Pre-Qualifying Bidders (Only When Necessary)

10.7.3.1 Circumstances for pre-qualification

- a. Pre-qualification is usually necessary for large or complex works, or in any other circumstances in which the high costs of preparing detailed bids could discourage competition, such as custom designed equipment, industrial plant, specialised services and contracts to be let under turnkey, design and build, or management contracting. This also ensures that invitations to bid are extended only to those who have adequate capabilities and resources. Pre-qualification may also be useful to determine eligibility for preference for domestic contractors, when appropriate. Pre-qualification should be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account there:
 - i. Capabilities with respect to personnel, equipment and construction or manufacturing facilities.
 - ii. Financial position.

10.7.3.2 Processes for pre-qualification

- a. The scope of the contract and a clear statement of the criteria for qualification must be sent to those who responded to the advert of invitation. All applicants that meet the specified criteria must be allowed to bid. Msukaligwa Local Municipality must inform all applicants of the results of pre-qualification. As soon as pre-qualification is completed, the bidding documents must be made available to the qualified prospective bidders. For pre-qualification for groups of contracts to be awarded over a period of time, a limit for the number or total value of awards to any one bidder may be made on the basis of the bidder's resources. The list of pre-qualified firms in such instances must be updated periodically. Verification of the information provided in the submission for pre-qualification must be confirmed at the time of award of contract and award may be denied to a bidder that is judged to no longer have the capability or resources to successfully execute the contract.

10.7.4 Establishment Of A List Of Approved Providers

- a. Where goods or services of a specialised nature are required on a recurring basis, a list of approved providers for the supply of the goods or services may be established through the competitive bidding process.
- b. The intention to establish a list of approved providers must be published in a local newspaper and on the website of Msukaligwa Local Municipality and if so decided, the Government Tender Bulletin. The closing time and date for inclusion in the list of approved providers must be indicated.
- c. For this purpose, a questionnaire should be made available and should make provision for:
 - i. Composition in terms of shareholding.
 - ii. BEE profile of provider.
 - iii. Personnel complement.
 - iv. Financial position.
 - v. Ability to provide the goods or services required.
- d. Requirements for admission to the list and criteria must be linked to the numeric value in terms of which applicants will be measured, for example acceptability, capacity, capability, facilities, resources etc. A predetermined standard method of awarding points must be followed. At this stage the cost and the equity profile of the provider do not determine their inclusion in the list.
- e. The Bid Evaluation Committee must evaluate the applications received and any rejection of applicants must be motivated and recorded.
- f. Once the relevant award structure has approved the list of providers, only the successful applicants are approached, either by obtaining quotations (thresholds below R200 000) on a rotation basis or according to the bid procedure when the goods or services are required. The difference is that the requirement is not advertised in the Government Tender Bulletin again. At this stage all criteria are used in evaluation, namely functionality, cost and preferential procurement.
- g. This list of approved providers must be updated regularly, at least once a year.
- h. This list of approved providers should not be confused with the list of accredited prospective providers per commodity.
- i. Should an approved list of providers be used for the appointment of consultants, please turn to the section dealing with the appointment of consultants.

10.8 Dispensing With Officially Established Procurement Processes

- a. Limited bidding is where the competition is limited in one way or another. Limited bidding is reserved for a specific group or category of possible providers. This mechanism must be used responsibly.
- b. Three categories of limited bidding can be distinguished:
 - i. Multiple source

- There is limited competition, hence only a few prospective bidders are allowed to make a proposal. This should be based on a thorough analysis of the market. Reasons for the decision must be documented and readily available.
- ii. Single source
 - This form of bidding uses a transparent and equitable pre-selection process to request only one, amongst a few prospective bidders, to make a proposal. This should be based on a thorough analysis of the market. Reasons for the decision must be documented and be readily available.
- iii. Sole source
 - There is no competition and only one bidder exists. Documentation substantiating the sole source must be submitted along with reasons for the decision.

10.8.1 Direct Negotiation

- a. 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:
 - i. Does not allow any preferred bidder a second or unfair opportunity.
 - ii. Is not to the detriment of other bidders.
 - iii. Does not lead to a higher price than the bid as submitted.
 - iv. Minutes of such negotiations must be kept for record purposes.
- b. The user group must supply the SCM Unit with a comprehensive specification or terms of reference for the requirement, if feasible.
- c. The SCM Unit, in consultation with the user group, must determine the negotiation strategy and properly prepare for the negotiation.
- d. The SCM Unit must compile a formal and complete bid document and administer the whole bidding and negotiation process.
- e. If direct negotiation is used as a mechanism in the case of emergency, then the details regarding the recording of emergency must be noted under the heading for emergency procurement.

10.8.2 Urgent Procurement

- a. When the user group identifies urgency, the urgent case must be certified by the manager of the user group as urgent and submitted to the SCM Unit for processing.
- b. As part of the request, the user group must provide the SCM Unit in writing with the following:
 - i. The 3 quotations obtained from the list of accredited prospective providers, where possible.
 - ii. The nature of the urgency.

- iii. The date and time thereof.
- iv. The details of the procurement action to be taken.
- v. The envisaged result if the standard procurement procedure must be followed.
- c. The SCM Unit must evaluate and recommend each case and submit it to the relevant award structure for the adjudication. Thus the relevant award structure approves the appropriate procurement process, the action to be taken and the recommendation to mitigate the urgency. The SCM Unit finalises the case.
- d. The SCM Unit must record such incidents for monthly reporting to the Accounting Officer.

10.8.3 Emergency Procurement

- a. When the user group identifies an emergency, it must be endeavoured to involve the SCM Unit, the Accounting Officer, or the CFO. The emergency must be certified by the manager of the user group as an emergency and submitted to the SCM Unit for processing where possible.
- b. Where possible, the manager of the SCM Unit must evaluate and recommend each case separately and submit it to the relevant award structure for adjudication. Thus the relevant award structure approves the appropriate procurement process, the action to be taken and a recommendation to mitigate the emergency. The SCM Unit finalises the case.
- c. In the event that it was not possible to liaise with the SCM Unit, the user group must, within 48 hours of such an emergency, inform the SCM Unit in writing of the following:
 - i. The nature of the emergency.
 - ii. The date and time thereof.
 - iii. The details of the procurement action taken.
 - iv. The envisaged results if the standard procurement process had been followed.
- d. Should it not be possible to inform the SCM Unit within 48 hours, the Accounting Officer must be informed of this fact.
- e. As soon as the detail of the emergency procurement becomes available the SCM Unit must forward the detail to the Accounting Officer for notification.
- f. The SCM Unit must record such incidents for quarterly reporting to the Accounting Officer.

10.9 Procurement from Abroad

- a. Always endeavour to find an agent in the country for a product that must be purchased.
- b. Once a certificate can be produced to show that the product cannot be sourced locally, international sourcing can commence.
- c. The stipulations of the General Conditions of Contract (GCC) are not necessarily applicable abroad, but overseas purchases, where applicable, are subject to the conditions applicable to the European Community. Such set of conditions are referred to as Inco terms.

- d. Msukaligwa Local Municipality must ensure that their international exchange system complies with the aforementioned policy where applicable.

10.10 Term Contracts

- a. A term contract is a contract entered into for the supply of goods, the rendering of services or the disposal of movable assets over a specified period of time but for a minimum period of one year. The period of time for completion of the contract must always be prescribed in the relevant bid documents.
- b. The SCM Unit must arrange and renew term contracts for requirements of a repetitive nature through the invitation of competitive bids.
- c. Orders for items available on such a term contract must be placed irrespective of the value of the order, unless a specific cap has been placed on the value of a single order.
- d. New bids may not be invited for items already available on a term contract.
- e. Small quantities may, however, be acquired outside the contract if:
 - i. An emergency arises.
 - ii. The supplier's point of delivery is not situated at or near the required point of delivery.
 - iii. The required supplies are not readily available

11 ACQUISITION MANAGEMENT: RANGE OF PROCUREMENT PROCESSES AND THRESHOLDS: APPOINTMENT OF CONSULTANTS

11.1 Introduction

- a. The purpose of this section is to explain the procedures for selecting, contracting, and monitoring consultants required for projects. In general, the procedures described in the previous and following chapters apply. Only the peculiarities of appointing consultants are dealt with herein, as the services to which these procedures apply, are of an intellectual and advisory nature. These procedures do not apply to general services such as construction works, manufacture of goods, operation and maintenance of facilities or plants, surveys, exploratory drilling, aerial photography, satellite imagery, catering, cleaning and security in which the physical aspects of the activity predominate.
- b. The Accounting Officer must, if requested to do so by the National Treasury or the Provincial Treasury, appoint a person with appropriate skills and experience, either from within or outside the municipality, as the transaction advisor to assist and advise the municipality on the preparation and procurement of a public private partnership agreement.
- c. The term consultant includes, among others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organisations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organisations (NGOs) and individuals.
- d. The Accounting Officer may use these organisations as consultants to assist in a wide range of activities such as policy advice, reform management, engineering services, construction supervision, financial services, procurement services, social and environmental studies and identification, preparation and implementation of projects to complement Msukaligwa Local Municipality's capabilities in these areas.
- e. Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available and the Accounting Officer cannot be reasonably expected either to train or to recruit people in the time available.
- f. The relationship between Msukaligwa Local Municipality and the consultant should be one of purchaser/provider and not employer/employee. The work undertaken by a consultant should be regulated by a contract. The Accounting Officer or delegate is, however, responsible for monitoring and evaluating contractor performance and outputs against project specifications and targets and should take remedial action if performance is below standard.

11.2 Primary Reasons for the Appointment of Consultants

- a. Consultants are engaged principally for the following reasons:
 - i. To provide specialised services for limited periods without any obligation of permanent employment.
 - ii. To benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing an assignment.

- iii. To provide independent advice on the most suitable approaches, methodologies and solutions of projects.

11.3 Minimum Requirements When Appointing Consultants

- a. When appointing consultants, it is necessary to strive to satisfy the following minimum requirements:
 - i. Meeting the highest standards of quality and efficiency.
 - ii. Obtaining advice that is unbiased, that is, being delivered by a consultant acting independently from any affiliation, economic or otherwise, which may cause conflicts between the consultant's interests and those of government.
 - iii. Ensuring the advice proposed, or assignment executed, meets the ethical principles of the consultancy professions.

11.4 Applicability of Procedures

- a. The procedures outlined herein apply to all contracts for consulting services. In procuring consulting services, the Accounting Officer or the delegate must satisfy himself/herself that:
 - i. The procedures to be used will result in the selection of consultants who have the necessary professional qualifications.
 - ii. The selected consultant will carry out the assignment in accordance with the agreed schedule.
 - iii. The scope of the services is consistent with the needs of the project.

11.5 General Approach

- a. The Accounting Officer or the delegate is responsible for preparing and implementing the project, for selecting the consultant, awarding and subsequently administering the contract. While the specific rules and procedures to be followed for selecting consultants depend on the circumstances of the particular case, at least the following four major considerations should guide the Accounting Officer or delegate in the selection process:
 - i. The need for high-quality services.
 - ii. The need for economy and efficiency.
 - iii. The need to give qualified consultants an opportunity to compete in providing the services.
 - iv. The importance of transparency in the selection process.
- b. In the majority of cases, these considerations can best be addressed through competition among firms in which the selection is based both on the quality of the services to be rendered and on the cost of the services to be provided (Quality- and Cost-Based Selection [QCBS]) as described below. For complex or highly specialised assignments or those that invite innovations, selection based on the quality of the proposal alone (Quality-Based Selection

[QBS]), is more appropriate. However, there are cases when QCBS is not the most appropriate method of selection.

- c. The method of selection is determined by the scope of the assignment, the quality of the service, the complexity of the assignment and whether assignments are of a standard or routine nature. Other methods of selection and the circumstances that are appropriate are outlined below.
- d. When appropriate, Msukaligwa Local Municipality may include under the special conditions of contract, the following or similar condition:
 - i. “A service provider may not recruit or shall not attempt to recruit an employee of the principal for purposes of preparation of the bid or for the duration of the execution of this contract or any part thereof”.

11.6 Conflict Of Interest

- a. Consultants are required to provide professional, objective and impartial advice and at all times hold the client’s interests paramount, without any consideration for future work and strictly avoid conflicts with other assignments or their own corporate interests. Consultants should not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of Msukaligwa Local Municipality or the State. Without limitation on the generality of this rule, consultants should not be hired under the following circumstances:
 - i. A firm or any of its affiliates that has been engaged by Msukaligwa Local Municipality to provide goods or works for a project should be disqualified from providing consulting services for the same project. Similarly, a firm or any of its affiliates, hired to provide consulting services for the preparation or implementation of a project should be disqualified from subsequently providing goods or services related to the initial assignment (other than a continuation of the firm’s earlier consulting services as described below) for the same project, unless the various firms (consultants, contractors, or suppliers) are performing the contractor’s obligations under a turnkey or design-and-build contract.
 - ii. Consultants or any of their affiliates should not be hired for any assignment, which by its nature, may be in conflict with another assignment of the consultants. As an example, consultants assisting a client in the privatisation or set-up of public assets should not purchase, nor advise purchasers of such assets or become part of the set-up.

11.7 Associations between Consultants

- a. Consultants may associate with each other to complement their respective areas of expertise, or for other reasons. Such an association may be for the long term (independent of any particular assignment) or for a specific assignment. The “association” may take the form of a joint venture or a sub-consultancy. In case of a joint venture, all members of the joint venture must sign the contract and are jointly and severally liable for the entire assignment. Once the bids or Requests for Proposals (RFPs) from service providers are issued, any association in the form of joint venture or sub-consultancy among firms is permissible only

with the approval of the Accounting Officer or the delegate. Msukaligwa Local Municipality should not compel consultants to form associations with any specific firm or group of firms, but may encourage associations with the aim to enhance transfer of skills.

11.8 Promoting Government's Preferential Policies

- a. When consultants are appointed, the prescripts of the Preferential Procurement Regulations, 2001, must be adhered to. These relate to the compulsory involvement of HDIs and the voluntary promotion of the RDP goals.

11.9 Training or Transfer of Knowledge and Skills

- a. If the assignment includes an important component for training or transfer of knowledge and skills, the TOR must indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for the training programme must be included in the consultant's contract and in the budget for the assignment.

11.10 Steps To Follow When Selecting Consultants

- a. There are essentially four distinct stages in the recommended selection process:
 - i. Identify the approach.
 - ii. Invite bids/proposals.
 - iii. Receive responses.
 - iv. Evaluate responses.
- b. Other aspects of appointment (such as advertising, opening of proposals) are no different from those set out in the rest of this Manual.
- c. Each of the four stages above is described in the sections below.

11.11 Identify the Approach

- a. Various approaches may be followed in selecting consultants. As stated earlier, in most instances, "Quality and cost based selection" (QCBS) is recommended. However, other possibilities are:
 - i. Quality based selection.
 - ii. Selection under a fixed budget.
 - iii. Least cost selection.
 - iv. Single source selection.

11.12 Approaches

- a. In determining the most appropriate approach, it may be useful to ask: What sort of Consultancy is required?

11.13 Invite Bids/Proposals, Using QCBS

11.13.1 Request for Bids

- a. The following steps would generally be followed in appointing consultants where a clear TOR, including a detailed task directive were compiled and the objectives, goals and scope of the assignment are clearly defined.

11.13.2 Preparation of the TORs

- a. Msukaligwa Local Municipality should prepare the TOR. The scope of the services described should be compatible with the available budget. The TOR should define clearly the task directive (methodology), objectives, goals and scope of the assignment and provide background information, including a list of existing relevant studies and basic data, to facilitate the consultants' preparation for their bids.
- b. Time frames linked to various tasks must be specified, as well as the frequency of monitoring actions. The respective responsibilities of Msukaligwa Local Municipality and the consultant must be clearly defined.
- c. The evaluation criteria, their respective weights, the minimum qualifying score for functionality and the values that will be applied for evaluation must be clearly indicated. The evaluation criteria must include at least the following:
 - i. Consultant's experience relevant to assignment.
 - ii. The quality of the methodology.
 - iii. The qualifications of key personnel; and
 - iv. The transfer of knowledge (where applicable).
- d. In more complicated projects, provision may also be made for pre-bid briefing sessions or presentations by bidders as part of the evaluation process.
- e. A clear indication must be given of which preference point system in terms of the PPPFA and its associated Regulations will be applicable as well as the goals to be achieved and the points allocated for these goals.
- f. Detailed information on the evaluation process must be provided by firstly indicating the ratio of percentage between functionality and price. The percentage for price must be determined taking into account the complexity of the assignment and the relative importance of functionality. The percentage for price is normally determined and approved by the Accounting Officer or the delegate prior to finalising the TOR.

- g. If transfer of knowledge or training is an objective, it must be specifically outlined along with details of number of staff to be trained, etc.; this will enable consultants to estimate the required resources. The TOR must list the services and surveys necessary to carry out the assignment and the expected outputs (for example reports, data, maps, surveys, etc), where applicable.
- h. Evaluation criteria could be divided into sub-criteria.
- i. Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources will be earmarked. The cost estimate should be based on the Accounting Officer or delegate assessment of the resources needed to carry out the assignment such as staff time, logistical support and physical inputs (i.e. vehicles, laboratory equipment, etc). The cost of staff time must be estimated on a realistic basis for foreign and local personnel.
- j. The TOR must specify the validity period (normally 60 – 90 days).
- k. The TOR must form part of the standard bid documentation. At this stage the evaluation panel, consisting of at least three members who are demographically representative in terms of race, gender and expertise, must also be selected and finalised.

11.13.3 Drafting Of the Terms of Reference

- a. A consultant must execute his/her tasks according to the TOR.
- b. The TOR must clearly define the task directive (methodology), objectives, goals and scope of the assignment and provide background information to facilitate the consultants' preparation of their bids. It must include at least the following:
 - i. Timeframes linked to various task and deliverables. It should be agreed up front what the consultant's work product will be. Also, the ownership of any work product must be specified. (The worked produced by the consultant as part of the assignment becomes the intellectual property of MSUKALIGWA LOCAL MUNICIPALITY).
 - ii. Nature and frequency of monitoring actions.
 - iii. Respective responsibilities of Msukaligwa Local Municipality and consultant.
 - iv. Evaluation criteria, its respective weights, minimum qualifying score for functionality, among others:
 - Consultant's experience.
 - Quality of the methodology.
 - Qualification of key personnel.
 - Transfer of knowledge (where applicable).
 - Pre-bid briefing sessions or presentations by bidders, if necessary.
 - The relevant PPPFA preference point system to be used.
 - PPPFA goals to be attained through the contract as well as points allocated for these goals.
 - The ratio between price and functionality.

- Consultants may be requested to submit their prices and proposals in two separate envelopes (two-envelope system).

11.13.4 Request for Proposals

- a. This method should be followed where selection is based both on the quality of a proposal and on the cost of the service through competition among firms. This method will be applicable on more complex projects where consultants are requested and encouraged to propose their own methodology and to comment on the TOR in their proposals.
- b. Where clear TOR and scope of the project do not exist, but where the objectives and goals of the assignment are clearly defined, a request for proposals (RFP) is published.
- c. The following documents must be included in the RFP:

Preparation and issuance of RFP	Whenever possible, include at least the following documents in the RFP: <ul style="list-style-type: none"> ▪ Letter of Invitation; ▪ Information to Consultants; ▪ The TOR; and ▪ The proposed contract.
Letter of invitation (LOI)	The LOI should state the intention to enter into a contract for the provision of consulting services, the details of the client and the date, time and address for submission of proposals.
Information to Consultants (ITC)	<p>The ITC should contain all necessary information that would assist consultants to prepare responsive proposals. It must be transparent and provide information on the evaluation process by indicating the evaluation criteria and factors and their respective weights and the minimum qualifying score for functionality. A clear indication must be given of which preference points system will be applicable in terms of the PPPFA and its Regulations, as well as the goals to be targeted and the points allocated for each goal. The budget is not specified (since cost is a selection criterion), but should indicate the expected input of key professionals (staff time). Consultants, however, should be free to prepare their own estimates of staff time necessary to carry out the assignment.</p> <p>The ITC must specify the proposed validity period (normally 60-90 days). A detailed list of the information that should be included in the ITC is given in the TOR.</p>
TOR	A specialist in the area of the assignment should compile the TOR and the scope of services described should be compatible with the available budget. The TOR must define as clearly as

	<p>possible the objectives, goals and scope of the assignment including background information to facilitate the consultant in the preparation of its proposal. The TOR must be compiled in such a manner that consultants are able to propose their own methodology and staffing and be encouraged to comment on the TOR in their proposals.</p> <p>Depending on the circumstances, it may be indicated that proposals should be submitted in two separate clearly marked envelopes, one containing the technical proposal and the other the cost for the assignment.</p> <p>In cases where pre-qualification/short listing is required, the TOR should indicate the basis of pre-qualification/short listing, for instance the number of minimum points to be scored to prequalify.</p>
Contract	<p>Use the appropriate Standard Form of Contract issued by the National Treasury. Any changes necessary to address specific project issues should be introduced through Contract Data Sheets or through Special Conditions of Contract and not by introducing changes in the wording of the General Conditions of Contract included in the Standard Form. When these forms are not appropriate (for example, for pre-shipment inspection, training of students in universities), use other acceptable contract forms.</p>

11.13.5 Receipt of Proposals

- a. Msukaligwa Local Municipality must allow enough time for consultants to prepare their proposals. The time allowed should depend on the assignment, but normally should not be less than four weeks or more than three months (for example, for assignments requiring establishment of a sophisticated methodology, preparation of a multidisciplinary master plan).
- b. During this interval, the firms may request clarification about the information provided in the RFP. Msukaligwa Local Municipality must provide clarification in writing and copy them to all firms who intend to submit proposals. Msukaligwa Local Municipality may set a deadline for the request of clarification, which should be at least two days before the closing date of the bid to still allow for distribution of the answers and to provide time to take the content of the feedback into consideration. If necessary, Msukaligwa Local Municipality may extend the deadline for submission of proposals.
- c. The technical and financial proposals must be submitted at the same time. No amendments to the technical or financial proposal must be accepted after the deadline.
- d. To safeguard the integrity of the process, the technical and financial proposals must be submitted in separate sealed envelopes. The technical envelopes must be opened immediately after the closing time for submission of proposals. The financial proposals must

remain sealed until opened publicly. Any proposal received after the closing time for submission of proposals must be returned unopened.

11.13.6 Evaluation of Bids/Proposals

- a. Within the ambit of the Preferential Procurement Regulations, bids/proposals for the appointment of consultants should be evaluated on the basis of functionality and price as well as the achievement of specified RDP goals. The evaluation should be carried out in two phases – first the functionality and then the price. The combined percentages allocated for functionality and price must total to 100%. The ratio used for the division between functionality and price must be determined and approved by the Accounting Officer or the delegate. It must be made known up-front in the bid documents. Score sheets should be prepared and provided to panel members to evaluate the bids on functionality. In view of impartiality, members of bid committees may not also act as panel members.
- b. The score sheet must contain all the criteria and the weight for each criterion as indicated in the TOR as well as the values to be applied for evaluation. Each panel member must after thorough evaluation award his/her own value to every criterion without discussing any aspect of any bid with any of the other members. Under no circumstances may additional evaluation criteria be added to those originally indicated in the bid documentation nor may the evaluation criteria be amended or omitted after closing of the bid. Score sheets must be signed by panel members. In the event of vast discrepancies in the values awarded for each criterion. Written motivation may be requested from panel members.

11.13.7 Calculation of Percentage for Functionality

- a. The percentage scored for functionality must be calculated as follows:
 - i. Each panel member must award values for each individual criterion on a score sheet. The value scored for each criterion must be multiplied with the specified weighting for the relevant criterion to obtain the marks scored for the various criteria. These marks must be added to obtain the total score. The following formula must then be used to convert the total score to a percentage for functionality:

$$PS = \frac{Ms}{So} \times Ap$$

Where

Ps = percentage scored for functionality by bid/proposal under consideration

So = total score of bid/proposal under consideration

Ms = maximum possible score

Ap = percentage allocated for functionality

- ii. The percentages of each panel member must be added together and divided by the number of panel members to establish the average percentage obtained for functionality.
- iii. After calculation of the percentage for functionality, the prices of all bids that obtained the qualifying score for functionality should be taken into consideration.

- iv. Bids/proposals that do not score a certain specified minimum percentage for functionality may be disqualified and not be considered further.

11.13.8 Calculation of Percentage for Price

- a. The percentage scored for price must be calculated as follows:
- i. The lowest acceptable bid/proposal will obtain the maximum percentage allocated for price. The other bids/proposals with higher prices will proportionately obtain lower percentages based on the following formula:

$$PS = \frac{P_{min}}{P_t} \times A_p$$

Where

Ps = percentage scored for price by bid/proposal under consideration

Pmin = lowest acceptable bid/proposal

Pt = price of bid/proposal under consideration

Ap = percentage allocated for price

The “*Guide on Hourly Fee Rates for Consultants*” issued by the Department of Public Service and Administration, accessible from the website www.dpsa.gov.za (click on "Service Delivery Improvement" and then click on "Consultant Frameworks") should be used as a benchmark to evaluate the offered tariffs or to determine the reasonableness thereof.

11.13.9 Calculation Of Points For Functionality And Price

- a. The percentages obtained for functionality must be added to the percentage obtained for price to obtain a percentage out of 100. This in turn must be converted to points out of 80 or 90 in terms of Regulation 8 of the Preferential Procurement Regulations.
- b. The points scored out of 80 or 90 must be calculated according to the following formula.
- i. The 80/20 preference point system (up to R50 000 000)

$$PS = 80 \left(1 - \frac{H_s - R_s}{R_s} \right)$$

- ii. The 90/10 preference point system (above R50 000 000)

$$PS = 90 \left(1 - \frac{H_s - R_s}{R_s} \right)$$

Where

Ps = points scored for functionality and price of the bid/proposal under

consideration

Hs = highest percentage scored by any acceptable bidder for functionality and price

Rs = percentage scored for functionality and price by bid/proposal under consideration

- c. Points scored for specified goals as contemplated by the PPPFA and its Regulations are then calculated separately and added to the points scored for price and functionality in order to obtain a final point. The contract should be awarded to the bidder scoring the highest points.
- d. Information relating to evaluation of bids and recommendations concerning awards may not be disclosed to the consultants who submitted bids or to other persons not officially concerned with the process until the successful consultant is notified.

<p>Evaluation of technical proposals (Functionality)</p>	<p>The evaluation of the proposals should be carried out in two stages: first the functionality (quality) and then the price. The evaluation must be carried out in full conformity with the provisions of the RFP.</p> <p>When the two-envelope system is used:</p> <p>Evaluators of technical proposals may not have access to the financial proposals until the technical evaluation is concluded. Financial proposals may be opened only after the technical evaluation and only in respect of those proposals that achieved the minimum qualifying score for functionality. In respect of functionality, evaluate each technical proposal (using an evaluation panel of three or more specialists in that field of expertise) in terms of the specified evaluation criteria that may include the following:</p> <ul style="list-style-type: none"> ▪ The consultant’s relevant experience for the assignment; ▪ The quality of the methodology proposed; ▪ The qualifications of the key staff proposed; and ▪ Transfer of knowledge. <p>Normally divide these criteria into sub-criteria; for example, the sub-criteria under methodology might be innovation and level of detail.</p> <p>More weight should be given to the methodology in the case of more complex assignments for example multidisciplinary feasibility or management studies.</p> <p>Evaluation of only “key” personnel is recommended as they ultimately determine the quality of performance. More weight should be assigned to this criterion if the proposed assignment is complex. Review the qualifications and experience of proposed key personnel in their curricula vitae which should be accurate, complete and signed by an authorised official of the consultant and the individual proposed. When the assignment depends critically on the performance of key staff, such as a Project Manager in a large team</p>
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	<p>of specified individuals, it may be desirable to conduct interviews. The individuals may be rated, among others, in the following sub-criteria as relevant to the assignment:</p> <p>General qualifications: general education and training, length of experience, positions held, time with the consulting firm staff, and experience in developing countries;</p> <p>Adequacy for the assignment: education, training and experience in that specific sector, field or subject relevant to the particular assignment; and</p> <p>Experience in the region: knowledge of the local language, culture, administrative system, government organization, etc.</p> <p>Evaluate each proposal on the basis of its response to the TOR. A proposal should be rejected at this stage if it does not respond to important aspects of the TOR or it fails to achieve the minimum qualifying score for functionality as specified in the RFP.</p> <p>At the end of the process, prepare an evaluation report on the quality of the proposals. The report must substantiate the results of the evaluation and describe the relative strengths and weaknesses of the proposals. All records relating to the evaluation such as individual score sheets must be retained until completion of the project and its audit.</p>
<p>Evaluation of financial proposal</p>	<p>For the purpose of evaluation, the price must include all local taxes and other reimbursable expenses such as travel, translation, report printing or secretarial expenses. The proposal with the lowest price will obtain the maximum percentage for price as prescribed in the RFP. Proposals with higher prices will proportionately obtain lower percentages according to the method as prescribed in the RFP.</p>
<p>Negotiations and award of contract</p>	<p>The Accounting Officer or the delegate may negotiate the contract only with the preferred bidder identified by means of the competitive bidding process.</p> <p>Negotiations should include discussions of the TOR, the methodology, staffing, Accounting Officer inputs, and special conditions of the contract. These discussions should not substantially alter the original TOR or the terms of the contract, lest the quality of the final product, its cost, and the relevance of the initial evaluation is affected. Major reductions in work inputs should not be made solely to meet the budget. The final TOR and the agreed methodology should be incorporated in “Description of Services,” which should form part of the contract.</p> <p>The selected firm should not be allowed to substitute key staff, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment. If this is not the case and if it is</p>

	<p>established that key staff were offered in the proposal without confirming their availability, the firm may be disqualified and the process continued with the next ranked firm. The key staff proposed for substitution should have qualifications equal to or better than the key staff initially proposed.</p> <p>Financial negotiations must include clarification of the consultants' tax liability. Before the appointment is finalised, the</p> <p>consultant must submit an original tax clearance certificate to the Accounting Officer or delegate. Proposed unit rates for staff-months and reimbursable may not be negotiated, since these have already been a factor of selection in the cost of the proposal, unless there are exceptional reasons.</p> <p>Proposed unit rates for staff-months and reimbursable may not be negotiated, since these have already been a factor of selection in the cost of the proposal, unless there are exceptional reasons.</p> <p>If the negotiations fail to result in an acceptable contract, the Accounting Officer or the delegate may terminate the negotiations and invite the next ranked firm for negotiations. The original preferred consultant must be informed of the reasons for termination of the negotiations. Once negotiations are commenced with the next ranked firm, the Accounting Officer or the delegate may not reopen the earlier negotiations. After negotiations are successfully completed, the Accounting Officer or the delegate must promptly notify other firms that they were unsuccessful.</p>
<p>Contract award</p>	<p>According to the prescripts of the PPPFA and its Regulations, a contract may only be awarded to the bidder who scored the highest number of points, unless objective criteria justify the award to another bidder. Should this be the case, the Accounting Officer must be able to defend the decision not to award the bid to the bidder who scored the highest number of points in any court of law. It should be emphasised that not offering any contributions to prescribed goals as contemplated in the Preferential Procurement Regulations does not disqualify a bidder. Under these circumstances a bidder will score no points for the specified goals.</p> <p>Award the contract, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined:</p> <ul style="list-style-type: none"> ▪ To be substantially responsive to the bidding documents; and ▪ To be the highest on points. <p>A bidder should not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.</p>

<p>Rejection of all proposals and reinvitation</p>	<p>The Accounting Officer is justified in rejecting all proposals only if all proposals are non-responsive and unsuitable, either because it presents major deficiencies in complying with the TOR, or because it involves costs substantially higher than the original estimate. In the latter case, the feasibility of increasing the budget, or scaling down the scope of services with the firm should be investigated. The new process may include revising the RFP and the budget.</p>
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11.13.10 Other Methods Of Selection

- a. There are a number of other methods that may be used that will be discussed in detail hereunder.

11.13.10.1 Quality-Based Selection (QBS)

- a. QBS is appropriate for the following types of assignments:
 - i. Complex or highly specialised assignments where it is difficult to define precise TOR and the required input from the consultants and when the client expects the consultants to demonstrate innovation in their proposals (for example, country economic or sector studies, multi-sectoral feasibility studies, financial sector reforms);
 - ii. Assignments that have a high downstream impact and the objective must have the best experts (for example, policy studies of national significance, management studies of large government agencies); and
 - iii. Assignments that can be carried out in substantially different ways, such that proposals will not be comparable (for example, management advice and sector and policy studies where the value of the services depends on the quality of the analysis).
 - iv. In QBS, the RFP may request submission of a technical proposal only (without the financial proposal), or request submission of both technical and financial proposals at the same time, but in separate envelopes (two envelope system). The RFP may not disclose the estimated budget, but it may provide the estimated number of key staff time, specifying that this information is given as an indication only and that consultants are free to propose their own estimates.
 - v. If technical proposals alone were invited, after evaluating the technical proposals using the same methodology as in QCBS, the Accounting Officer or the delegate should request the consultant with the highest ranked technical proposal to submit a detailed financial proposal. The Accounting Officer or the delegate and the consultant should then negotiate the financial proposal and the contract. All other aspects of the selection process should be identical to those of QCBS. If, however, consultants were requested to provide financial proposals initially together with the technical proposals, safeguards must be built in to ensure that the price envelope of only the selected proposal is opened and the rest returned unopened, after the negotiations are successfully concluded.

11.13.10.2 Selection Under A Fixed Budget

- a. This method is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The RFP must indicate the available budget and request the consultants to provide their best technical and financial proposals in separate envelopes, within the budget. The TOR must be particularly well prepared to ensure that the budget is sufficient for the consultants to perform the expected tasks. Evaluation of all technical proposals must be carried out first as in the QCBS method, where after the price envelopes must be opened in public. Proposals that exceed the indicated budget must be rejected. The consultant who has submitted the highest ranked technical proposal should be selected and invited to negotiate a contract.

11.13.10.3 Least-Cost Selection

- a. This method is more appropriate to selection of consultants for assignments of a standard or routine nature (audits and so forth) where well-established practices and standards exist and when the contract amount is small. Under this method, a “minimum” qualifying mark for the “functionality” is established. Proposals in two envelopes are invited. Technical envelopes are opened first and evaluated. Those securing less than the minimum mark may be rejected and the financial envelopes of the rest are opened in public. The firm with the highest points should then be selected. Under this method, the qualifying minimum mark should be established, keeping in view that all proposals above the minimum compete only on “cost” and promotion of HDIs and RDP objectives. The minimum mark to qualify must be stated in the RFP.

11.13.10.4 Selection Based On Consultants’ Qualifications

- a. This method may be used for very small assignments when the need for preparing and evaluating competitive proposals is not justified. In such cases, the Accounting Officer or the delegate must prepare the TOR, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment and select the firm with the most appropriate qualifications and references. The selected firm should be requested to submit a combined technical-financial proposal and then be invited to negotiate the contract.

11.13.10.5 Single-Source Selection

- a. Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost and lacks transparency in selection and could encourage unacceptable practices. Therefore, single-source selection should be used only in exceptional cases. The justification for single-source selection should be examined in the context of the overall interests of the client and the project.
- b. Single-source selection may be appropriate only if it presents a clear advantage over competition:
 - i. For tasks that represent a natural continuation of previous work carried out by the firm;
 - ii. Where a rapid selection is essential (for example, in an emergency operation);
 - iii. For very small assignments; or

- iv. When only one firm is qualified or has experience of exceptional worth for the assignment.
- c. The reasons for a single-source selection must be recorded and approved by the Accounting Officer or the delegate prior to the conclusion of a contract.
- d. When continuity for downstream work is essential, the initial RFP should outline this prospect and if practical, the factors used for the selection of the consultant should take the likelihood of continuation into account. Continuity in the technical approach, experience acquired and continued professional liability of the same consultant may make continuation with the initial consultant preferable to a new competition, subject to satisfactory performance in the initial assignment. For such downstream assignments, the Accounting Officer or the delegate should ask the initially selected consultant to prepare technical and financial proposals on the basis of TOR furnished by the Accounting Officer or the delegate, which should then be negotiated.
- e. If the initial assignment was not awarded on a competitive basis or was awarded under tied financing or reserved procurement or if the downstream assignment is substantially larger in value, a competitive process acceptable to the Accounting Officer should be followed.
- f. Where, in exceptional instances, it is impractical to appoint the required consultants through a competitive bidding process and a South African based consultant is used, the Guidelines on Hourly Fee Rates for Consultants issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs or to determine the reasonableness of the tariffs.

11.13.10.6 Selection Of Individual Consultants

- a. Individual consultants may normally be employed on assignments for which:
 - i. Teams of personnel are not required;
 - ii. No additional outside professional support is required; and
 - iii. The experience and qualifications of the individual are the paramount requirement.
- iv. When coordination, administration, or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.
- v. Individual consultants should be selected on the basis of their qualifications for the assignment. They may be selected on the basis of references or through comparison of qualifications among those expressing interest in the assignment or approached directly by the Accounting Officer or delegate. Individuals employed by the Accounting Officer or delegate should meet all relevant qualifications and should be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience and as appropriate, knowledge of the local conditions, such as local language, culture, administrative system and government organisation.
- vi. From time to time, permanent staff or associates of a consulting firm may be available as individual consultants. In such cases, the conflict of interest provisions described in these guidelines must apply to the parent firm.

11.13.10.7 Selection Of Particular Types Of Consultants

11.13.10.7.1 *Use of Nongovernmental Organizations (NGOs)*

- a. NGOs are voluntary non-profit organisations that may be uniquely qualified to assist in the preparation, management, and implementation of projects, essentially because of their involvement and knowledge of local issues, community needs, and/or participatory approaches. NGOs may be included in the short list if they express interest and provided that the Accounting Officer or delegate is satisfied with their qualifications. For assignments that emphasize participation and considerable local knowledge, the short list must be entirely composed of NGOs. If so, the QCBS procedure should be followed and the evaluation criteria should reflect the unique qualifications of NGOs, such as voluntarism, non profit status, local knowledge, scale of operation, and reputation. An Accounting Officer or delegate may select the NGO on a single-source basis, provided the criteria outlined for single source selection are fulfilled.

11.13.10.7.2 *Inspection Agents*

- a. Accounting officers may wish to employ inspection agencies to inspect and certify goods prior to shipment or on arrival in the country. The inspection by such agencies usually covers the quality and quantity of the goods concerned and reasonableness of price. Inspection agencies should be registered with the South African National Accreditation System (SANAS) and the services of these inspection agents should be obtained by means of competitive bidding.

11.13.10.7.3 *Banks*

- a. Investment and commercial banks, financial firms and fund managers hired the Accounting Officer or delegate for the sale of assets, issuance of financial instruments and other corporate financial transactions, notably in the context of privatisation operations, should be selected under QCBS. The RFP should specify selection criteria relevant to the activity — for example, experience in similar assignments or network of potential purchasers — and the cost of the services. In addition to the conventional remuneration (called a “retainer fee”), the compensation includes a “success fee.” This fee can be fixed, but is usually expressed as a percentage of the value of the assets or other financial instruments to be sold. The RFP must indicate that the cost evaluation will take into account the success fee, either in combination with the retainer fee or alone. If alone, a standard retainer fee must be prescribed for all short-listed consultants and indicated in the RFP, and the financial scores must be based on the success fee as a percentage of a pre-disclosed notional value of the assets. For the combined evaluation (notably for large contracts), cost may be accorded a weight higher or the selection may be based on cost alone among those who secure a minimum passing mark for the quality of the proposal. The RFP must specify clearly how proposals will be presented and how they will be compared.

11.13.10.7.4 *Auditors*

- a. Auditors typically carry out auditing tasks under well-defined TOR and professional standards. They should be selected according to QCBS, with cost as a substantial selection factor (40□50 points), or by the “Least-Cost Selection.” When consultants are appointed to execute an audit function on behalf of the Accounting Officer, the tariffs agreed by the

Auditor-General and the South African Institute for Chartered Accountants (SAICA) should be used as a guideline to determine the appropriate tariff or to determine the reasonableness of the tariffs. These tariffs can be obtained from SAICA's website under www.saica.co.za. The tariffs are captured in a circular issued by SAICA.

11.13.10.7.5 ***“Service Delivery Contractors”***

- a. Projects in the social sectors in particular may involve hiring of large numbers of individuals who deliver services on a contract basis. The job descriptions, minimum qualifications, terms of employment and selection procedures must be described in the project documentation.

11.13.11 Establishment Of A List Of Approved Service Providers

- a. Where consultancy services are required on a recurring basis, a panel of consultants/list of approved service providers for the rendering of these services may be established. These panels/lists should be established through the competitive bidding process, usually for services that are of a routine or simple nature where the scope and content of the work to be done can be described in detail.
- b. The intention to establish a panel/list of approved service providers is published in the Government Tender Bulletin and the closing time and date for inclusion in the panel/list of approved service providers must be indicated. For this purpose, a questionnaire must be made available and should make provision for the following:
 - i. Full details of the service provider, among others:
 - Composition of the firm in terms of shareholding.
 - Personnel complement.
 - Representation of expertise in respect of the disciplines required, e.g. accounting, legal, educational, engineering, computer, etc.
 - National/international acceptability of experts in the various professions.
 - Experience as reflected in projects already dealt with.
 - Financial position.
 - ii. Requirements for admission to the list and criteria should be linked to the numeric value, in terms of which applicants will be measured, for example qualifications, experience, acceptability, facilities and resources, etc. A pre determined standard method of awarding points must be followed.
 - iii. The applications received must be evaluated and any rejection of applicants must be motivated and recorded.
 - iv. Once the panel/list of service providers has been approved, only the successful applicants are approached, depending on the circumstances, either by obtaining quotes on a rotation basis, or according to the bid procedure when services are required, with the exception that the requirement is not advertised in the Government Tender Bulletin again.
 - v. This list must be updated continuously, at least quarterly.

11.13.12 Evaluation Of The Performance Of Consultants

- a. Consultants must observe due diligence and prevailing standards in the performance of the assignment. The Accounting Officer or delegate must evaluate the performance of consultants appointed in a fair and confidential process. In the case of repeated poor performance, the firm must be notified and provided an opportunity to explain the reasons for it and the remedial action proposed.
- b. Consultants are responsible for the accuracy and suitability of their work. Although Msukaligwa Local Municipality supervises and reviews the consultants' work, no modifications may be made in the final documents prepared by the consultants without mutual agreement. In the case of supervision of works, consultants may have more or less authority to supervise, from full responsibility as an independent project manager, to that of advisor to the client with little authority to make decisions, as determined by Msukaligwa Local Municipality and captured in the contract agreement between Msukaligwa Local Municipality and the consultant.

11.13.13 Types Of Contracts

11.13.13.1 Lump Sum (Firm Fixed Price) Contract

- a. Lump sum contracts are used mainly for assignments where the content and the duration of the services and the required output of the consultants are clearly defined. They are widely used for simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, preparation of data processing systems, and so forth. Payments are linked to outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents and software programs. Lump sum contracts are easy to administer because payments are due on clearly specified outputs.

11.13.13.2 Time-Based Contract

- a. This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others where the completion period may vary, or because the input of the consultants required to attain the objectives of the assignment is difficult to assess. This type of contract is widely used for complex studies, advisory services, and most training assignments. Payments are based on agreed hourly, daily, weekly, or monthly rates for staff (who are normally named in the contract) and on reimbursable items using actual expenses and/or agreed unit prices. The rates for staff include salary, social costs, overheads, fees (or profit), and, where appropriate, special allowances. This type of contract should include a maximum amount of total payments to be made to the consultants. This ceiling amount should include a contingency allowance for unforeseen work and duration and provision for price adjustments, where appropriate. Time-based contracts need to be closely monitored and administered by the client to ensure that the assignment is progressing satisfactorily and payments claimed by the consultants are appropriate. Again the Guidelines on fees for Consultants issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs, or to determine the reasonableness of the tariffs.

11.13.13.3 Retainer and/or Contingency (Success) Fee Contract

- a. Retainer and contingency fee contracts are widely used when consultants (banks or financial firms) are preparing companies for sales or mergers of firms, notably in privatisation operations. The remuneration of the consultant includes a retainer and a success fee, the latter being normally expressed as a percentage of the sale price of the assets.

11.13.13.4 Percentage Contract

- a. These contracts are commonly used for architectural services. It may also be for procurement and inspection agents. Percentage contracts directly relate to the fees paid to the consultant, the estimated or actual project construction cost, or the cost of the goods procured or inspected. Contracts are negotiated on the basis of market norms for the services and/or estimated staff-month costs for the services, or competitive bids. It should be borne in mind that in the case of architectural or engineering services, percentage contracts implicitly lack incentive for economic design and are hence discouraged. Therefore, the use of such a contract for architectural services is recommended only if it is based on a fixed target cost and covers precisely defined services (for example, not works supervision).

11.13.13.5 Indefinite Delivery Contract (Price Agreement)

- a. These contracts are used when the Accounting Officer needs to have “on call” specialised services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance. These are commonly used to retain “advisors” for implementation of complex projects, expert adjudicators for dispute resolution panels, Accounting Officer reforms, procurement advice, technical troubleshooting, and so forth, normally for a period of a year or more. The Accounting Officer or delegate and the firm agree on the unit rates to be paid for the experts and payments are made on the basis of the time actually used.

11.13.14 Important Provisions

- a. **Currency.** RFPs should clearly State that firms must express the price for their services, in Rand. If the consultants wish to express the price as a sum of amounts in different foreign currencies, they may do so, provided that the Accounting Officer concurs with this practice and that the proposal includes no more than three foreign currencies outside the borders of South Africa. The Accounting Officer must ensure that consultants state the portion of the price representing local costs in Rand. Payment under the contract should be made in the currency or currencies expressed in the formal contract.
- b. **Price Adjustment.** To adjust the remuneration for foreign and/or local inflation, a price adjustment provision should be included in the contract if its duration is expected to exceed 12 months. Exceptionally, contracts of shorter duration may include a provision for price adjustment when local or foreign inflation is expected to be high and unpredictable.
- c. **Payment Provisions.** Payment provisions, including amounts to be paid, schedule of payments, and payment procedures, should be agreed upon during negotiations. Payments may be made at regular intervals (as under time-based contracts) or for agreed outputs (as under lump sum contracts). Payments for advances (for example, for mobilisation costs) exceeding 10 percent of the contract amount should normally be backed by advance

payment securities. Payments must be made promptly in accordance with the contract provisions. To that end:

- i. Consultants can be paid directly by the Accounting Officer or delegate.
 - ii. Only disputed amounts may be withheld, with the remainder of the invoice paid in accordance with the contract.
 - iii. The contract should provide for the payment of financing charges if payment is delayed due to the client's fault beyond the time allowed in the contract. The rate of charges should be specified in the contract.
- d. **Bid and Performance Securities.** Bid and performance securities are not recommended for consultants' services. Their enforcement is often subject to judgment calls, they can be easily abused and they tend to increase the costs to the consulting industry without evident benefits, which are eventually passed on to the Accounting Officer.
- e. **Accounting Officer Contribution.** The Accounting Officer normally assigns members of its own professional staff to the assignment in different capacities. The contract between the Accounting Officer and the consultant should give the details governing such staff, known as counterpart staff, as well as facilities that should be provided by the Accounting Officer, such as housing, office space, secretarial support, utilities, materials and vehicles. The contract should indicate measures the consultant can take if some of the items cannot be provided or have to be withdrawn during the assignment and the compensation the consultant will receive in such a case.
- f. **Conflict of Interest.** The consultant may not receive any remuneration in connection with the assignment except as provided in the contract. The consultant and its affiliates may not engage in consulting activities that conflict with the interests of the client under the contract, and must be excluded from downstream supply of goods or construction of works or purchase of any asset or provision of any other service related to the assignment other than a continuation of the "Services" under the ongoing contract.
- g. **Professional Liability.** The consultant is expected to carry out its assignment with due diligence and in accordance with prevailing standards of the profession. As the applicable law will govern the consultant's liability to the Accounting Officer, the contract need not deal with this matter unless the parties wish to limit this liability. If they do so, they must ensure that:
- i. There may be no such limitation in case of the consultant's gross negligence or wilful misconduct;
 - ii. The consultant's liability to the Accounting Officer may not be limited to less than the total payments expected to be made under the consultant's contract, or the proceeds the consultant is entitled to receive under its insurance, whichever is higher; and
 - iii. Any such limitation may deal only with the consultant's liability toward the client and not with the consultant's liability toward third parties.
- h. **Staff Substitution.** During an assignment, if substitution is necessary (for example, because of ill health or because a staff member proves to be unsuitable), the consultant may propose other staff of at least the same level of qualifications for approval by the Accounting Officer or the delegate.

- i. **Applicable Law and Settlement of Disputes.** The contract must include provisions dealing with the applicable law and the forum for the settlement of disputes. Should it not be possible to settle a dispute by means of mediation, the dispute may be settled in a South African court of law.

11.13.15 Advertising Of Expected And Outstanding Procurement

- a. To obtain expressions of interest, the Accounting Officer should include a list of expected consulting assignments in a General Procurement Notice, which should be updated annually for all outstanding procurement. This must be advertised in the relevant media. When appropriate, the Accounting Officer may also advertise these contracts in an international newspaper or a technical magazine, seeking “expressions of interest.” In such cases the Accounting Officer may also contact embassies and professional organisations. The information requested should be the minimum required to make a judgment on the firm’s suitability and not be so complex as to discourage consultants from expressing interest. Sufficient time (not less than 30 days) should be provided for responses, before preparation of the short list.

11.13.16 Information To Consultants (ITC)

11.13.16.1 Scheduling the Selection Process

11.13.16.1.1 *Modifications of Contract*

- a. Any granting of a substantial extension of the stipulated time for performance of a contract, agreeing to any substantial modification of the scope of the services, substituting key staff, waiving the conditions of a contract, or making any changes in the contract that would in aggregate increase the original amount of the contract by more than 15 percent, is subject to the approval of the Accounting Officer or his / her delegate.
- b. Whenever possible, the Accounting Officer or delegate should use RFPs, including the ITC, covering the majority of assignments. If under exceptional circumstances, the Accounting Officer or delegate needs to amend the standard ITC, it should be through the technical data sheet and not by amending the main text. The ITC must include adequate information on the following aspects of the assignment:
 - i. A very brief description of the assignment;
 - ii. Standard formats for the technical and financial proposals;
 - iii. The names and contact information of officials to whom clarifications should be addressed and with whom the consultants’ representative should meet, if necessary;
 - iv. Details of the selection procedure to be followed, including:
 - A description of the two-stage process, if appropriate;
 - A listing of the technical evaluation criteria and weights given to each criterion;
 - The details of the financial evaluation;
 - The relative weights for quality and cost in the case of QCBS;

- The minimum pass score for quality; and
- The details on the public opening of financial proposals;
- v. An estimate of the level of key staff inputs (in staff-months) required of the consultants; and indication of minimum experience, academic achievement, and so forth, expected of key staff or the total budget, if a given figure cannot be exceeded;
- vi. Information on negotiations; and financial and other information that will be required of the selected firm during negotiation of the contract;
- vii. The deadline for submission of proposals;
- viii. A statement that the firm and any of its affiliates will be disqualified from providing downstream goods, works, or services under the project if, in the Accounting Officer's judgment, such activities constitute a conflict of interest with the services provided under the assignment;
- ix. The method in which the proposal must be submitted, including the requirement that the technical proposals and price proposals must be sealed and submitted separately in a manner that will ensure that the technical evaluation is not influenced by price;
- x. Request that the invited firm acknowledges receipt of the RFP and informs the Accounting Officer or delegate whether or not it will be submitting a proposal;
- xi. The short list of consultants invited to submit proposals, and whether or not associations between short-listed consultants are acceptable;
- xii. The period that the consultants' proposals will be valid (normally 60-90 days) and during which the consultants should undertake to maintain, without change, the proposed key staff, and should hold to both the rates and total price proposed; in case of extension of the proposed validity period, the right of the consultants not to maintain their proposal;
- xiii. The anticipated date when the selected consultant is expected to commence the assignment;
- xiv. A statement indicating all prices should be VAT inclusive;
- xv. If not included in the TOR or in the draft contract, the Accounting Officer will provide details of the services, facilities, equipment and staff;
- xvi. Phasing of the assignment, if appropriate; and likelihood of follow-up assignments;
- xvii. The procedure to handle clarifications about the information given in the RFP; and
- xviii. Any conditions for subcontracting part of the assignment.

11.13.16.2 Disbursements

- a. The responsibility for the implementation of the project, and therefore for the payment of consulting services under the project, rests solely with the Accounting Officer or delegate.

11.13.16.3 Consultants' role

- a. When consultants receive the RFP, and if they can meet the requirements of the TOR, and the commercial and contractual conditions, they should make the arrangements necessary to prepare a responsive proposal (for example, visiting the principal of the assignment, seeking associations, collecting documentation, setting up the preparation team). If the consultants find in the RFP documents — especially in the selection procedure and evaluation criteria — any ambiguity, omission or internal contradiction, or any feature that is unclear or that appears discriminatory or restrictive, they should seek clarification from the Accounting Officer or delegate, in writing, within the period specified in the RFP for seeking clarifications.
- b. In this connection, it must be emphasised that the specific RFP issued by the Accounting Officer or delegate governs each selection. If consultants feel that any of the provisions in the RFP are inconsistent with the prescripts for SCM (the MFMA and its supply chain management regulations) and / or the PPPFA and its Regulations, they should raise this issue with the Accounting Officer in writing.
- c. Consultants should ensure that they submit a fully responsive proposal including all the supporting documents requested in the RFP. It is essential to ensure accuracy in the curricula vitae of key staff submitted with the proposals. The curricula vitae must be signed by the consultants and the individuals and dated. Non-compliance with important requirements will result in rejection of the proposal. Once technical proposals are received and opened, consultants may not nor permitted to change the substance, the key staff, and so forth. Similarly, once financial proposals are received, consultants may not or permitted to change the quoted fee and so forth, except at the time of negotiations carried out in accordance with the provisions of the RFP.

11.13.16.4 Confidentiality

- a. The process of proposal evaluation is confidential until the contract award is notified to the successful firm. Confidentiality enables the Accounting Officer to avoid either the reality or perception of improper interference. If, during the evaluation process, consultants wish to bring additional information to the notice of the Accounting Officer, they must do so in writing.
- b. If consultants wish to raise issues or questions about the selection process, they must communicate in writing with the Accounting Officer in this regard. All such communications should be addressed to the Head of the Department and for the Accounting Officer.
- c. Communications that the Accounting Officer or delegate receives from consultants after the opening of the technical proposals must be dealt with as follows:
 - i. In the case of contracts any communication must be sent to the Accounting Officer or delegate for due consideration and appropriate action. If additional information or clarification is required from the consultant, the Accounting Officer or the delegate should obtain it and comment on or incorporate it, as appropriate, in the evaluation report.

11.13.16.5 Debriefing

- a. If after notification of award, a consultant wishes to ascertain the reasons on not selecting its proposal, it should address its request to the Accounting Officer in writing in line with MFMA Regulations 49 and 50. If the consultant is not satisfied with the explanation given by the Accounting Officer or delegate, the consultant may refer this matter to the Provincial Treasury, the National Treasury, the Public Protector or a court of law.

12 ACQUISITION MANAGEMENT: QUOTATION/BID COMPILATION AND ISSUING

12.1 Language of Quotation/Bid Documents

- a. Bidding documents must be worded such that they permit and encourage competition.
- b. Should bidding documents be compiled in an additional language, Msukaligwa Local Municipality must ensure that officials with the required language skills are available to review proposals, conduct the evaluation and award process as well as any other communication that may be required during the acquisition process.

12.2 Calling for bids

- a. Bids must be invited by the SCM Unit unless other groups have been delegated to do so.

12.3 Advertising of bids

- a. Bids must be advertised at least in a commonly circulated newspaper in the municipal area of jurisdiction and the Msukaligwa Local Municipality website to ensure exposure to potential bidders. Bids may be advertised in the Government Tender Bulletin if and when determined by the Accounting Officer or delegate. All requirements in excess of R30 000 (VAT included) that must be procured by means of formal written price quotations, must be advertised for at least seven days on the Msukaligwa Local Municipality website and/or by official notice board.
- b. No late requests for publishing will be accepted by the Government Printer. The SCM Unit must therefore ensure that everybody is aware of the final dates to submit requests to be published in the Government Tender Bulletin. These dates are frequently published in the Bulletin. This principle also applies to all other media Msukaligwa Local Municipality wishes to advertise in.
- c. The following information must be clearly stipulated in an advertisement:
 - i. Sufficient detailed description of the requirement, including the contract period applicable.
 - ii. The place of work, installation or delivery, for instance Msukaligwa Local Municipality.
 - iii. Bid number.
 - iv. Closing date and time.
 - v. Where bids are obtainable from: Name of the Institution, street address, postal address, and e mail address, contact person for enquiries, telephone number, facsimile number and office hours (Mondays to Fridays).
 - vi. Whether site meetings, information/briefing sessions are applicable and whether it is compulsory or not. For the Government Tender Bulletin, this information must be incorporated into the description.

vii. Where bids must be posted or delivered to: Name of the Institution, street address, postal address, and bid box address, contact person for enquiries, telephone number and facsimile number.

viii. For the Government Tender Bulletin, add the category of supplies, services or disposals involved as provided for in the Government Tender Bulletin.

12.4 Closing time of bids

- a. According to the GCC closing time means the latest date and hour specified in the bid documents for the receipt of bids.
- b. Bids of Msukaligwa Local Municipality normally close at 12:00 on the day indicated in the bid documents or as alternatively indicated in the documentation.
- c. The closing of bids must be strictly observed.

12.5 Determining the closing period

- a. A longer closing period may be necessary where a product will be imported or a complex response is required from bidders. Where complex supply contracts, particularly those requiring refurbishing of existing works, items or equipment are involved, this period should generally not be less than eight weeks to enable bidders to conduct investigations before submitting their bids. In such cases, pre-bid information meetings for the bidders to seek clarifications and site visits may be necessary. Msukaligwa Local Municipality must provide reasonable access to project sites for such visits.
- b. In justifiable cases, bids may be advertised for a shorter period as the Accounting Officer or the delegate may determine. A shorter closing period should allow adequate time for responses to be prepared and submitted, and must not disadvantage any prospective bidder from bidding.

12.6 Determining the validity period

- a. The SCM Unit responsible for the invitation of the bids is also responsible for the extension of the validity period, if and when required, before the validity lapses.
- b. Bidders must be required to submit bids valid for a period specified in the bidding documents. This period should be sufficient to enable Msukaligwa Local Municipality to complete the comparison and evaluation of bids, review the recommendation, clear the bidder and adjudicate and award the contract.
- c. For procurement from abroad a longer validity period may be necessary. Approval must be obtained within the Accounting Officer's delegated powers.
- d. An extension of bid validity, if justified in exceptional circumstances, must be requested in writing from all bidders before the expiry date. The extension should be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract. In the case of fixed price contracts, requests for second and subsequent extensions should be permissible only if the request for extension provides for an appropriate

adjustment mechanism of the quoted price to reflect changes of inputs for the contract over the period of extension, should the bidders so require.

- e. Bidders must have the right to refuse to grant such an extension without forfeiting their bid security, but those who are willing to extend the validity of their bids must provide a suitable extension of bid security, if applicable.

12.7 Availability of bid documents

- a. Bid documents may be made available to bidders at more than one location, should Msukaligwa Local Municipality deem it necessary.
- b. Prospective bidders must be allowed to collect documents at the indicated locations from the date that the requirement is advertised. The bid document must also provide for prospective bidders to request the document in writing for e-mailing or posting to the prospective bidder.
- c. Should posting of documents be requested, Msukaligwa Local Municipality must not take responsibility for the bidder receiving it on time to still be in a position to bid. This is the responsibility of the prospective bidder.

12.8 Sale of bid documents

- a. Msukaligwa Local Municipality resolve to charge a non-refundable fee for bid documents inclusive of VAT as per approved tariff:
- b. The purpose of this fee is to cover the printing costs of the bid document.

12.9 Responses received

- a. Bidders must be informed that if bidding documents are posted, it is not the responsibility of Msukaligwa Local Municipality to ensure that the bidder receives the document on time in order to prepare a response.
- b. All bids or offers must be submitted in writing on the prescribed bid documentation in a sealed marked envelope and must be deposited by the bidders themselves or their appointed representatives into the designated Bid Box by no later than the date and time stipulated in the bid documents.
- c. There must always be a unique reference number and title or description for each bid advertised, in order to avoid any ambiguity that could result.
- d. The closing date and time of each bid invitation should be chosen carefully or systematically.
- e. There must be suitable and dedicated staff to handle all queries in respect of any bids.
- f. All prospective bidders must be provided with the same bid information, with no bidder having competitive advantage over another.
- g. The policies, procedures and protocols published in the bid documentation must always be adhered to. Any subsequent changes thereto must be communicated to all bidders.
- h. There must be a formal line of communication to ensure consistency of communication.

- i. All communication regarding the bid should preferably be in writing, filed and recorded.
- j. Msukaligwa Local Municipality attempt ensure that the costs of obtaining bid documentation, the availability thereof and bid requirements do not disadvantage potential bidders in any way.
- k. If it is desirable to amend, change or replace samples, specifications, copies or conditions after the closing date and time, and before notification of acceptance has been given, new bids must be invited.

12.10 Elements for Inclusion in Bid Documents

12.10.1 User Group Request for Quotations/Bids

- a. Regarding specifications/TOR for goods and/or services, the following must be provided by the user group (inclusive of the approved specification) to the officials of the SCM Unit when quotations/bids are to be invited:
 - i. Description of the requirement.
 - ii. Approved specification or TOR.
 - iii. A formal contract where it must be concluded in addition to the contract form. Full reasons must be given.
 - iv. Any special conditions applicable.
 - v. The required contract period must be precisely stated if applicable. For example, a contract period of 12 months or a contract commencing on the specific date and concluding on a specific date.
 - vi. Particulars of an information session, where applicable.
 - Whether the information session is compulsory or not and the address and time where the session will take place as well as a contact person and telephone number in this regard.
 - vii. Where the submission of alternative bids (alternative designs, materials, completion schedules, payment terms, etc.) is permitted, the conditions for their acceptability and the method of evaluation in such instances should be clearly stated.
 - viii. Whether a demonstration would be required that will be facilitated by the SCM Unit.
 - ix. Indicate the estimated financial impact and whether funds are available.
 - x. Indicate the latest possible date that the contract must be in place.
 - xi. Contact particulars of a knowledgeable person (user group) that the SCM Unit may contact for technical assistance.

12.10.2 Quotation/Bid Documentation Pack

12.10.2.1 Conditions

- a. The General Conditions of Bid and Contract are applicable to all bids with the exception of bids pertaining to the building, engineering and construction industry for bids related to building, engineering and construction works, Accounting Officers should, in lieu of the GCC, use the General Conditions of Contract and Standard Bidding documents for construction projects issued by the CIDB.
- b. Such conditions may be supplemented by special conditions, thus covering any aspect not covered by the general conditions if necessary. Should the special conditions be in conflict with the general conditions, the provisions of the special conditions will prevail. The one condition that must be covered by special conditions is payment terms.

12.10.3 Municipal Bidding Documentation

- a. MBD may be customised to address the municipal name, logo and contract details. Other changes to the MBDs should be kept to a minimum, such as variations necessary to address specific contract and project issues. Where no relevant MBD is provided, Msukaligwa Local Municipality should use other internationally recognised documents, acceptable to the Accounting Officer, in concurrence with the Provincial Treasury. The standard working for the application for Tax Clearance Certificates (MBD2) may not be amended.
- b. In cases where special conditions make it necessary to deviate from the standardised bid documentation it is advisable that the Accounting Officer's or the delegate's approval is obtained for such deviations. The motivation for the deviations must be documented.
- c. It would, however, be efficient to customise a set of the documentation specifically for Msukaligwa Local Municipality in order to reduce the time it takes to review the standard forms per requirement.
- d. The formal contract document (MBD 7.1 – 7.3) should not form part of the bidding documents issued to every prospective bidder, but should rather be made applicable only to the successful bidder after adjudication and award of the bid.

12.10.4 Elements to Take Into Account When Compiling a Quotation/Bid Documentation Pack

- a. Allocate a sequential bid number. A central point for numbering is needed in the SCM Unit.
- b. Determine the closing date and time of the bid.
- c. Determine the validity period applicable.
- d. The price must be quoted in Rand.
- e. Compliance with any statutory requirements deemed necessary.
- f. Indicate evaluation process and criteria applicable.
- g. Evaluation method, for example, the two-envelope system.

- h. The format in which the bid must be submitted, such as the information on the envelope and sealing instructions.
- i. The number of copies required. Do not ask for unnecessary copies or for an excessive number of copies.
- j. The methods of quotation/bid delivery allowed such as fax, e-mail, and post and hand delivery to a bid box.

12.11 Pre-Bid Information Sessions

12.11.1 Particulars of Information Sessions, Where Applicable

- a. Whether information sessions are compulsory or not and if so, the address and time where the sessions will take place as well as a contact person and telephone number in this regard.

12.11.2 Particulars of Presentation Meetings, Where Applicable

- a. The fact that presentation meetings are compulsory and the address and time where the meetings will take place as well as a contact person and telephone number in this regard. Where the time of the meeting cannot be determined it should be clear in the bidding documents that prospective bidders will be informed of the time at a later and appropriate date.
- b. An attendance register must be circulated and signed by all prospective providers who are present at the meeting.
- c. The attendance register must contain the following information:
 - i. Details of the bid e.g. name of service and bid number;
 - ii. Name of the meeting venue;
 - iii. Meeting time;
 - iv. Name of attendee;
 - v. Position;
 - vi. Represented entity;
 - vii. Contact numbers, telephone, fax and e-mail address; and
 - viii. Signature of the attendee.
- d. SCM must take minutes whenever briefing meetings or site meetings are held.

12.12 Changing Of Information before Closing Time

- a. Where the information that must 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.

- b. Where the information that must change is material or will have a material influence of the drafting of the bidders' proposals, the bid must rather be cancelled and fresh bids invited with the amended information.

12.13 Postponement of Closing Date

- a. Should it be possible to postpone the closing date and inform bidders appropriately, the closing date may be postponed if there is a valid reason for the postponement?
- b. If there is a valid reason for the postponement of the bid and there is not sufficient time to advertise the postponement, the cancellation of the bid must be considered and fresh bids invited.

13 RECEIVING AND OPENING OF RESPONSES

13.1 Receiving and Opening Procedures for Quotations Up To R200 000 (VAT Included)

13.1.1 Written or Verbal Quotations Above R2 000 Up To R10 000 (Vat Included)

- a. The delegate, who requested the verbal quotation, must also receive the quotation. It is recommended that all the prospective providers are asked to confirm their quotation in writing at least by facsimile or email so that a proper record of the request exists.
- b. Should all the prospective providers not be asked to confirm their quotations in writing, at least the successful provider must be asked to confirm the quotation in writing and the details received from all other prospective providers must be recorded by the delegate who requested the verbal quotations in order to establish the audit trail.

13.1.2 Formal Written Price Quotations above R10 000 Up To R200 000 (Vat Included)

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

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

13.2 Receiving and Opening Procedures for Bids above R200 000 (VAT Included)

- a. Bids received by post, courier or similar service should be administratively dealt with and immediately be channelled to the physical address where bids must be received. Bids received after the closing time at the physical address indicated in the bid document, must be considered as late and be dealt with accordingly.
- b. The bid box may be opened more frequently than the actual closing dates and times if there are good reasons, for example, when a bidder asks for the return of the bid before closing time and/or when the box is full, provided that it is done openly and there are at least two people present.
- c. Upon the closing time of a bid, the bid box is closed at exactly 12:00 to the second or the chosen closing time and all the bids should be removed. Bids must be opened in the event where the bids received are scheduled to close on the day the box was opened or bids must be filed in the event where the bids received are scheduled to close on another day.
- d. The bids must be date stamped on the envelope and sorted according to its particular bid numbers.
- e. All bids received without envelopes, must be sealed in an envelope containing the bid number and closing date.
- f. Where a bid is received without a bid number on the envelope, it must be opened, the bid number ascertained, written on the envelope, sealed and filed accordingly if required.
- g. All bids must be opened in public.
- h. If requested by any bidder or member of the public, the names of the bidders must be read aloud and if practical, also each bidder's total bidding price. If the bid consists of more than one item, the official may, at his/her discretion, decide on whether or not all of the items should be read out.
- i. All the pages of the bids received must be stamped / initialled or marked with a punch hole, checked for any amendments and if affirmative, two officials must co-initial at the place of amendment. Any documents not signed or not submitted must be noted on the covering file of the bid document.
- j. Information on bids received must be captured in a "Bids received record" that may be a register/list/spreadsheet, which must contain at least the following information:
 - i. Bid number.
 - ii. Closing date.
 - iii. Date and time received.
 - iv. Name of the bidder.
 - v. Details on how the bid was received, i.e. through the post, courier services, or received in the bid box.
 - vi. The condition of the bid upon receipt i.e. was it open or not.

- vii. Whether the bid was received on time or late.
- viii. Whether the bid was opened, and if so, the reasons for the opening by the receiving officials.
- ix. Signature of the person who delivered the bid if the bid was not deposited in the bid box.
- x. Signature of the person who received the bid.
- xi. Amount of the bid.
- k. To ensure that this recording is properly executed, the record for bids received must be checked on a quarterly basis in accordance with the Accounting Officer's delegated powers.
- l. Bids must be stored/filed with those bids already received of similar bid numbers if received before the closing date of the specific bid.
- m. The bid box must be opened immediately after each bid has closed by at least two supply chain officials of Msukaligwa Local Municipality and one financial officer in the prescribed public place in the presence of at least one member of the Bid Evaluation Committee of Msukaligwa Local Municipality.
- n. All opened bids must be date stamped and individually initialled in ink on each material page by the abovementioned officers. Any errors must also be initialled as above.
- o. Any deposits or securities received with bids must be handed to the financial officer for official acknowledgement of receipt thereof.
- p. The bid register must be locked in a safe place for subsequent bid evaluations.
- q. Other bids than those deposited in the bid box, must be registered in the bid register and marked "incorrectly delivered", then filed unopened. These bids will be rejected and not be considered.
- r. All bid documentation via telegram, e-mail, telex, facsimile or other method other than the prescribed method before, on or after the closing date and time must be registered and will be rejected and not be considered.
- s. Make the register available for public inspection.
- t. Publish the entries in the register and the bid results on the website.

13.2.1 Admission of Quotations

- a. Written quotations received by facsimile transmitter, telegram, telex, e-mail or similar media may be accepted as valid if received before the closing time.

13.2.2 Admission of Bids

- a. Bids received by facsimile transmitter, telegram, telex, e-mail or similar media do not meet the requirements and must be rejected.
- b. Only original bid documents or photocopies of facsimiles that are submitted in the prescribed manner and where the entire essential forms are originally signed in ink before submission may be accepted as valid.

- c. Bidders must be allowed to submit bids by mail, by courier or by hand into the bid box or at the physical address of Msukaligwa Local Municipality (reception, over the counter at the SCM Unit as applicable) before the closing time of the bids.
- d. All bids must then be kept unopened in safe custody until the closing date and time of the bids.

13.2.3 Confidentiality

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

13.2.4 Bids Received Late

- a. Late bids received must, where feasible, be returned accompanied with the explanation that the bid was received late. Where the address of the bidder is not indicated on the envelope, it is opened to obtain the necessary particulars and returned to the bidder.
- b. Where no bid or no acceptable bid was received, the bid must be re-advertised.
- c. Bids received late must be recorded as such.

14 **EVALUATION PROCESS**

14.1 **Mandatory Reasons for Rejection**

- a. Msukaligwa Local Municipality must reject a proposal for the award of a contract if the recommended bidder has committed a proven corrupt or fraudulent act in competing for the particular contract.
- b. Msukaligwa Local Municipality must disregard the bid of any bidder if that bidder, or any of its directors:
 - i. Have abused the SCM system of Msukaligwa Local Municipality.
 - ii. Have committed proven fraud or any other improper conduct in relation to such system.
 - iii. Have failed to perform on any previous contract and the proof exists.
- c. Such actions must be communicated to the National Treasury.
- d. Prohibition on awards to persons in the service of the state:
 - i. The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person:
 - Who is in the service of the state.
 - 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.
 - A person who is an advisor or consultant contracted with Msukaligwa Local Municipality.

14.2 **Compliance Check Procedures**

- a. Before actual evaluation the SCM Unit must do a compliance check that the quotation/bid documentation complies with the predetermined conditions and that all required forms and information are submitted, completed in full and legible.
- b. The SCM Unit must ascertain whether quotations/bids received:
 - i. Have been properly signed in ink in the original.
 - ii. Copy of the Municipal Rates account or proof of suitable arrangements.
 - iii. Include an original, valid tax clearance certificate or proof that suitable arrangements have been made with SARS.
 - iv. Are substantially responsive to the quotation/bid documents.
 - v. Are accompanied by the required securities, if applicable.
 - vi. Are otherwise generally in order.
- c. The SCM Unit must ensure that the provider's name (including the name of the company, name of any director or partner) does not appear on the list for restricted bidders/persons or on the Register for Tender Defaulters in terms of the Prevention and Combating of Corrupt Activities Act.

- d. If a quotation/bid is not substantially responsive that is, it contains material deviations from or reservations to the terms, conditions and specifications in the quotation/bid documents, it must not be considered further.
- e. Must be able to identify bidders who are close family members of persons in the service of the state
- f. Must be able to identify bidders who are
 - i. In the service of the state.
 - ii. Not a natural person, but of which any director, manager, principal shareholder or stakeholder is a person in the service of the state.
 - iii. A person who is an advisor or consultant contracted with Msukaligwa Local Municipality.
- g. Verification must be done to confirm the claimed preference points and where there is reasonable doubt about the bidder's entitled/claimed points.

14.3 Signing Of Bids

- a. Bids not accompanied by an Invitation to Bid, or where the form is not signed, or not signed in ink, but otherwise complies with all the bid requirements and is recommended in terms of the delegated powers, may be considered and finalised by the Bid Adjudication Committee or the Accounting Officer or the delegate.
- b. If such an unsigned bid is declared to be valid, the bidder must sign it in ink, before the parties sign the contract form.
- c. Copies or facsimiles of quotations that have been submitted in the prescribed manner and where the Invitation to quote or equivalent has been signed in ink before submission are accepted as official quotations. No other document received in confirmation thereof is thereafter accepted as the official quotation even if it is the original of the facsimile copy and is also signed in ink.

14.3.1 Authorisation to Sign Bid Documents

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

14.4 Tax Clearance Certificates

- a. As proof that there are no outstanding taxes obligations, a valid Tax Clearance Certificate must be submitted in the original.
- b. In all cases where the bidder did not submit the Certificate by the closing time, or the certificate is not in the original or invalid, the bidder must be afforded an opportunity and requested to submit the Certificate within 14 working days from the date of the request. This

does not relate to RFQs. Recommendations with regard to such matters must be submitted to the relevant evaluation and award structures.

- c. SDM must reject any bid from a SA provider failing to provide written proof from SARS that the provider either has no outstanding tax obligations or has made arrangements to meet such or whose tax affairs are not confirmed by SARS to be in order.
- d. No contracts may, however, be awarded to SA prospective providers who failed to submit the original Tax Clearance Certificate within the relevant period and this must be reported to SARS.
- e. Where a “Request for Information” (RFI) was advertised, it is not necessary for tax clearance certificates to be presented. However, should it not be included in the RFI, it must be included as a bid condition in the documents distributed to the bidders that qualified and thus taken into consideration at that stage.
- f. All databases reflecting contracting activities must be made accessible to officials of the SARS.

14.5 Submission and Signing Of Declarations or Certificates

- a. If the potential provider is a supplier but not the actual manufacturer and will be sourcing the product(s) from another company, a letter from that company(s)/supplier(s) confirming firm supply arrangement(s) in this regard, has to accompany the quotation/bid and failure to submit the document may invalidate the quotation/bid. The aforementioned statement must be included in the relevant quotation/bid documents.
- b. The said company/supplier must confirm that it has familiarised itself with the item description, specifications and conditions and if the quotation/bid consist of more than one item, it should be clearly indicated in respect of which item(s) the supportive letter has been issued.

14.6 Declaration of Interest

- a. A form for the declaration of a provider’s position and interest vis-à-vis the evaluating structure, must be included with the quotation/bid documents.
- b. An official who is involved in the evaluation and recommendation process, or who is in any way involved with the procurement process, must also certify as part of the recommendation that he/she complies with The Prevention and Combating of Corrupt Activities Act.
- c. All officials who can influence the award of a quotation/bid are seen as officials who are involved in the recommendation process.
- d. The register of attendance or disclaimer for the members of the Bid Evaluation Committee and the Bid Adjudication Committee must contain the following:
 - iv. "I declare that I did not purposefully unlawfully favor or prejudice anyone in the decision making process in the recommendation and award of the quotation/bid."
- e. All officials who are involved in the decision making process must sign a similar affidavit.

14.7 Provider's Own Conditions

- a. A provider must not automatically be requested to withdraw own conditions since such conditions are not necessarily unacceptable. A recommendation by the relevant evaluation authority that such a request should be made to the provider concerned must be submitted to the relevant award structure for the necessary consideration or for passing over due to being unacceptable.
- b. When advance payments were required in a quotation/bid and not paid it must be identified as a conflicting condition and a motivated recommendation must be submitted to the relevant award structure. Normally such a condition is accepted only if a counter offer that will eliminate the risk, such as a bank/performance guarantee, is made.

14.8 Evaluation Less Than R30 000

- a. Less than R30 000, an evaluation is performed by the user group and the SCM Unit taking the following principles into account:
 - i. Compliance with conditions/specification/TOR.
 - ii. Price.
 - iii. Preferential procurement only where it was made a condition of evaluation on a voluntary basis.
- b. Before making an award to a person, Msukaligwa Local Municipality must first check with SARS whether that person's tax matters are in order should it not be confirmed in writing to be in order.
- c. If SARS does not respond within seven days, such person's tax matters may be presumed to be in order.

14.9 Evaluation from R30 000 And Up To R200 000

14.9.1 Evaluation Steps

- a. From R30 000 the delegated authority must check whether the information received from the SCM Unit is correct and ascertain him/herself of all the information and facts contained in each bidding document, which includes the preference points score sheet.
- b. The delegated authority must now evaluate the strengths, weaknesses and peculiarities of each offer from the highest to the lowest point scorer.
- c. All comments on each quotation as well as the recommendation must be recorded in a recommendation report that must be signed off by the delegated authority.
- d. In the case of professional services, offers are evaluated on price and functionality, as well as achievement of specified goals where applicable. The combined percentages for functionality and price must equal 100%.
- e. Where the evaluation authority consists of more than one evaluator as may be determined in the Accounting Officer's delegated powers, please note that evaluations are not based on consensus decisions. Each evaluator scores each quotation individually according to the

predetermined criteria and weightings as reflected in the original quotation documents. Calculated average points for service providers are used for evaluation purposes.

- f. The final recommendation report must be submitted to the relevant award structure for consideration.
- g. Providers may not be allowed to amend their offers in any material manner, but may be requested to clarify any ambiguities and/or information that are unclear or illegible.

14.10 Bid Evaluation Committee for Procurement above R200 000

- a. Above R200 000, a Bid Evaluation Committee must be constituted before the closing date of the bid.
- b. The Committee must over and above the SCM expertise and the representative of the user group, also represent the following skills:
 - i. Procurement expertise from the SCM Unit.
 - ii. Sufficient financial expertise.
 - iii. Sufficient technical expertise.
 - iv. Additional technical expertise as required may be co-opted.

14.10.1 Evaluation Steps

- a. Each evaluator should check whether the information received from the SCM Unit is correct and familiarize him/her of all the information and facts contained in each bidding document, including the preference points score sheet.
- b. For any transaction which is expected to exceed R10 million (incl. VAT) the prospective providers must also furnish the following information:
 - i. Audited annual financial statements for the past 3 years or since inception;
 - ii. Signed certificate confirming that the bidder does not have undisputed commitments for municipal services or other service prospective providers in respect of the payments overdue for more than 30 working days;
 - iii. Particulars of any contract awarded to the provider by an organ of State during the past 5 years;
 - iv. Particulars of any material non compliance or dispute concerning the execution of such contract;
 - v. A statement indicating whether any portion of the goods or service are expected to be sourced from outside the Republic; and
 - vi. With regards to (v) above, the provider must indicate whether any portion of SDM's payment is expected to be transferred out of the Republic.
- c. The bidding document must clearly stipulate that disputes shall be settled by means of mutual consultation, mediation (with or without legal representation) and if unsuccessful in a South African court of law.

- d. Bid Evaluation Committee members must than discuss the strengths, weaknesses and peculiarities of each offer. Commence the discussions from the highest to the lowest point scorer.
- e. All discussions of each bid as well as the recommendation must be recorded in a recommendation report by the SCM Unit that must be signed off by all members of the Bid Evaluation Committee.
- f. In the case of professional services, offers are evaluated on price and functionality, as well as achievement of specified goals where applicable. The combined percentages for functionality and price equal 100%. Evaluations are not based on consensus decisions. Each evaluator scores each bid individually according to the predetermined criteria and weightings as reflected in the original bid documents. Calculated average points for service providers are used for evaluation purposes.
- g. The final recommendation report must be submitted through the SCM Unit to the Bid Adjudication Committee for consideration.
- h. Bidders may not be allowed to amend their offers in any material manner, but may be requested to clarify any ambiguities and/or information that are unclear or illegible.

14.11 Format of the recommendation report

- a. The SCM Unit is responsible for the compilation of the recommendation report and therefore the SCM Unit must provide the professional secretariat function for each evaluation.
- b. Recommendation/submissions to the Bid Adjudication Committee or other award structures must be clear regarding the content and purpose of the matter for which consideration and approval is desired. The practice of submitting memoranda, reports, contracts, agreements, invoices and the like and requesting general approval is not acceptable. However, such documents may be forwarded as annexure supporting the request. Facts must be set out fully and clearly in the submission and reference must be made only to those portions of the attached documents that are directly related to the approval being requested.
- c. Uniformity in respect of details where submissions deal with the recommendation of bids is essential. The following minimum information is required:
 - i. Name of the bidder
 - ii. Price and whether the price is firm or not
 - iii. Basis of delivery
 - iv. Delivery period
 - v. Trade mark
 - vi. Country of origin
 - vii. Preference claimed
 - viii. Comparative price
 - ix. In the case of single source bids, the previous purchase price must also be indicated where possible or other mechanism to determine reasonableness.

- x. There must be uniformity in the sequence of categories in which bids are recommended if one bid contains more than one item for consideration, namely:
 - Only bid, price reasonable and in accordance with the specification.
 - Highest scorer and in accordance with the specification.
 - All higher scoring bids must be listed and the reasons for passing over must be furnished where bids are awarded on a point basis, any bids which scored a higher point, but are not recommended, must be listed and reasons for passing over must be furnished.
 - Highest scorer and acceptable although not strictly to specification.
 - Highest acceptable scorer although not strictly to specification.
- xi. A discussion, explaining the recommendation, must always be provided where the recommendation is not self-explanatory in the light of the data already provided.

14.12 Information That Must Be Supplied With Recommendations for the Award of Bids

- a. The Bid Evaluation Committee must ensure that they are in possession of all relevant information so that accountable decisions can be taken. Since each case is unique, it is not possible to specify all the information that must be supplied. However, the following points must be addressed when it arise:

14.12.1 Qualification of bidder's own conditions

- a. When bidders do not withdraw conditions, that are unacceptable or conflicting, reasons must be provided for those conditions to be considered. When such conditions have financial implications or their withdrawal implies a second chance to bid, the facts must be pointed out to the Bid Adjudication Committee.

14.12.2 Small acceptable deviations

- a. The Bid Evaluation Committee must be convinced that other bidders' competitiveness is not adversely affected by the acceptance of a bid that is not strictly to specification.

14.12.3 Increase of prices before validity lapses

- a. Such cases must be pointed out to the Bid Adjudication Committee so that it may decide what action to take against the bidder concerned.

14.12.4 Increase of prices after validity lapses

- a. This may be construed as an avoidable expenditure and must be reported to the Accounting Officer. Therefore the Bid Adjudication Committee must be informed of the circumstances and the person/concern responsible for the delay.

14.12.5 Reduction of prices before validity lapses

- a. A reduction of prices and the effect thereof on the award of bids must be brought to the attention of the Bid Adjudication Committee. If the reduction in the price affects the recommendation, the reduction may not be considered. If it does not change the recommendation, it may be considered for implementation before the award.

14.12.6 Passing over higher scoring bids

- a. Reasons for passing over higher scoring bids must be accountable and justifiable. For instance, it is not enough to indicate that the offer deviates from specification. It must be indicated what was specified, a description of the deviation must be given and the effect of the deviation on the use/operation of the item must also be pointed out. Where there are deviations in respect of several different properties, only the determinative deviations should be dealt with.

14.12.7 Reasonableness of prices

- a. Where the reasonableness of prices cannot be substantiated or where the weighting of non-firm prices has an effect on the priority order of recommendations, all relevant information must be gathered and made available to the Bid Adjudication Committee.

14.12.8 Bids with a large number of items

- a. Bids with a large number of items must not be delayed because of problems with a few individual items. The Bid Evaluation Committee must evaluate such items at a later date.

14.12.9 Sharing of contracts

- a. If a contract must be shared, full reasons for sharing must be supplied and the basis of the split must be provided as well as the conditions that will apply.

14.12.10 Evaluation of samples

- a. When an item is rejected because samples have been evaluated and do not measure up to the required standards, it must be pertinently stated in the recommendation that the product has been tested, the organisation that tested it and the details of the deviations and their effect on the use/operation of the product must be indicated.

14.12.11 Number of bid documents issued to prospective bidders

- a. In order for the Bid Adjudication Committee to determine the competitiveness of the bidding process, Msukaligwa Local Municipality must keep record of the number of bid documents issued to prospective bidders as well as the number of bids received as a result of the invitation. This information must be pointed out in recommendations to the Bid Adjudication Committee or other award structures.

14.13 Consideration of Additional Information

- a. Should a discount for instance be offered, it could be taken into account when the contract has been awarded, but not beforehand.
- b. Msukaligwa Local Municipality must communicate with providers where bid information is incomplete or the quotation/bid document is not completed in full, in order to obtain the necessary information.
- c. During the period of time between the closing time of a bid and the date of notice of acceptance to the successful bidder, communication regarding matters in connection with the quotation/bid, between any official or a representative of a properly appointed testing organisation or a person acting in an advisory capacity for Msukaligwa Local Municipality and a member of the public, may only take place with the express prior approval of the relevant award structure.

14.14 Cancellation of Quotations/Bid

- a. Where the majority of quotations/bids do not comply with the specification requirements, or where a weak reaction to the invitation can be ascribed to an unnecessarily restrictive specification, cancellation of the invitation should be considered. The specification should then be reviewed and suitably amended so that fresh, more competitive quotations/bids may be invited.
- b. Based on the reasons for the receipt of unacceptable quotations/bids, a recommendation must then be made on which process will now render a different result if quotations/bids are again sourced.
- c. The possible reasons for receiving unacceptable quotations/bids may be the following:
 - i. Wrong choice of media for advertisement to reach the target audience in the case of advertised bids.
 - ii. Wrong group of potential providers targeted in the case of non-advertised bids.
 - iii. Terms of reference were not clear and specific.
 - iv. Quotations/bids submitted did not address the terms of reference as the latter was not understood or the providers were clearly inexperienced.
 - v. The period allowed for the submission of quotations/bids was not sufficient for organisations to submit a sufficient quotation/bid or to submit quotations/bids at all.
- d. A recommendation may then be considered to either re-advertise/re-invite the quotation/bid or to target a specific number of pre-identified service providers.
- e. Quotation/bidding documents should provide for the cancellation of all quotations/bids if and when necessary.
- f. Quotations/bids may be cancelled in the following circumstances:
 - i. No responsive quotation/bid has been received.
 - ii. The prices received are exorbitant.
 - iii. The requirement is no longer needed.

14.15 Negotiations

- a. Without the prior approval of the relevant award structure, no negotiations may be conducted with providers regarding any aspect that might in any way affect the prices i.e. that may change the order in which quotes/bids will be ranked.
- b. Where such negotiations are authorised, the relevant award structure must ensure that the negotiations take place at least at the middle management level and that the agreement, reached, is placed on record in writing.

14.16 Confirmation of prices

- a. A legal contract cannot be concluded by the acceptance of an offer where it is obvious to any reasonable person that a price is out of line with other market prices and/or previous quoted prices. Confirmation of whether the price is correct or not, must be obtained from the provider in such cases.
- b. Only confirmation of the correctness of the price is involved and not negotiation for a better price.

14.17 Verifying Preferences

- a. However, where, as a result of a query, there is a change in the percentage preference claimed which affects the ranking of quotations/bids for award, a motivated recommendation must be submitted to the relevant evaluation authority and award structure for consideration.

14.18 Amendment of Prices Prior To Lapse of Validity

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

14.19 Extension of Validity Period

- a. When validity lapses, the contractual obligation, which the provider accepted on signing the invitation to bid, falls away.
- b. Changed circumstances, for which no provision is made in the bid, can occur and bidder's conditions, of which price may be one, can be affected. Bidders may, therefore, wish to make changes when extending their validity periods. However, great care must be taken when considering these amendments so that justice and fairness to the other bidders are not sacrificed. When validity period extensions are requested, bidders must be asked to indicate the nature of and reasons for any such amendments.
- c. The extension of the validity periods of quotations/bids is discouraged because it can result in amendments to quotations/bids to the disadvantage of Msukaligwa Local Municipality, which result has to be explained to Treasury. It is therefore recommended that the correct validity period originally be chosen.

14.20 New and Unproven Products

- a. If a brand that qualifies for acceptance is new and unknown to Msukaligwa Local Municipality or unproven after consultation with users, if applicable, consideration must be given to recommending to the Bid Adjudication Committee that initially only minimum requirements from the bidder concerned should be bought so that it may be tested and evaluated thoroughly in practice, if feasible. In such cases the fact that it is a new, unknown or unproven brand must be clearly indicated in the recommendation to the Bid Adjudication Committee. Feedback regarding test results must be given to the suppliers. Should the requirement be for only one item, a new/unknown product should usually only be accepted if the user is satisfied that product is acceptable.
- b. A distinction should be drawn between new and unknown products and products that must be manufactured specially. Where bids for specially manufactured products are recommended and accepted, steps must be taken to ensure that the products are subjected to the necessary inspection and testing.

14.21 Country of Origin

- a. However, the quality of products, that are imported, particularly of unknown or new products, is not always known. Therefore the country of origin, trademark and model must always be stated in submissions to the Bid Adjudication Committee. Where a new or unknown product is recommended, action must be taken in accordance with the discussion above.

14.22 Deviations from Specifications

- a. Quotations/bids with acceptable deviations from specification may be recommended for acceptance, provided that the competitiveness of another provider is not adversely affected.

14.23 Alternative Offers

- a. Regardless of whether the provider also submits offers conforming strictly to specification, alternative offers may be considered and accepted provided that the other providers are not prejudiced. If the alternative offer does not meet the specification requirements, in that it is lower than the specified requirements and the deviations are acceptable, the other providers must be approached in cases where they might possibly be prejudiced, with a view to obtaining offers for the delivery of a product or service with the same or similar acceptable deviations. Such cases must be submitted to the relevant Bid Evaluation Committee for consideration and the relevant award structure for approval.

14.24 Improvement of specification

- a. A quotation/bid that is the highest scorer and that represents an improvement on the requirements of the specification may be recommended for acceptance. A quotation/bid that is not the highest scorer and that represents an improvement on the requirements of the specification may be recommended for acceptance by the relevant evaluation authority

provided that all competitive providers are approached beforehand but are not able to offer such an improved product at a lower price.

- b. Each case is considered on its merits but it can be accepted as a general guideline that such an improvement must exceed the specified minimum requirements. The reason why the improvement is deemed to be an absolute necessity must be motivated and the additional costs must be justifiable. If the improvement can be regarded as a unique property of the particular product, the case is regarded as a significant amendment of the specification and an explanation must be provided why these unique properties are essential and the reasonableness of the price will have to be substantiated. It must also be motivated why it would not be better to cancel and re-invite the bid.

14.25 Equal Offers

- a. When offers are equal in all respects on a comparative basis, thus scoring equal total points, the successful provider must be the one scoring the highest number of preference points for HDI/SMME/specified goals as stated in part 3, 12 (8) of the PPPFA Regulations.
- b. Should two or more offers still be equal in all respects, the award must be decided by the drawing of lots in accordance with the delegated powers.
- c. Where bid prices for a portion of a series of sub-items are equal and it is necessary for these items to be obtained from the same bidder, then the lowest overall bid may be recommended for acceptance.

14.26 Additional Quantities

- a. If, after closing of a quotation/bid but before an award has been made, a need arises for additional quantities up to the maximum percentage provided for in the Accounting Officer's delegated powers, the recommended provider may, with prior approval of the relevant delegated authority be approached to determine whether he/she is prepared to deliver the additional quantities at a reduced price, or if not, at the quoted price provided that the delegated powers are not exceeded. However, the prices of marginally higher quotations/bids must also be taken into account and the provider concerned must also be approached for offers for the larger quantities.

14.27 Samples

- a. Therefore, if samples have not been received by evaluation time, the bid must be evaluated as if no sample was submitted. The Bid Adjudication Committee must then be informed that the product has been rejected because no sample was received.
- b. A bidder who has neglected to submit a sample must not be asked for it unless the other bids are not acceptable on the grounds of quality or price, or the bidder concerned has offered a product manufactured in South Africa in competition with imported products. However, if other, acceptable South African manufactured products are offered by bidders who have submitted samples, the bidder who did not submit samples must not be asked to submit samples unless the Bid Adjudication Committee directs otherwise. The relevant circumstances must be pointed out to the Bid Adjudication Committee.

- c. The above-mentioned stipulations in regard to samples are mutatis mutandis applicable to pamphlets, illustrations, certificates, etc. in cases where it is a bid condition that must be submitted together with the bids.
- d. If the testing of samples is delayed by the SABS or other relevant testing organisation, a bidder should be allowed to submit a letter issued by the testing organisation to that effect so as not to declare the bid invalid due to the non submission of samples.
- e. Should the bid conditions call for an SABS certificate to be submitted, such certificates may be accepted until such a time that the recommendation has to be formulated. The evaluation and award process must not be delayed for this purpose.
- f. Should it be a requirement that samples must be submitted, no bidder must be requested to submit samples after the closing of the bid, unless all of the higher bids are not acceptable on the grounds of noncompliance of the specification or price.

14.28 Comparison of Quoted Prices

- a. The quoted prices of all items must be brought to a comparative basis, where applicable, by deducting preferences and other benefits, and adding implied contract price adjustments in the case of non-firm prices and delivery and other costs where applicable.
- b. Where purchases are accompanied by a maintenance contract and the future costs of the maintenance are known, the discounted present value of all the future costs must be added to the purchase cost in order to calculate a comparative price. Where these costs are not known, a typical scenario must be set in the quotation/bid document and priced by each provider in order to obtain comparative prices.
- c. The quoted prices of providers who are not registered in terms of the VAT Act, must for purposes of comparison be accepted as being inclusive of VAT. Msukaligwa Local Municipality must do price comparisons on these quoted prices and any transaction as a result of acceptance of such quoted prices will under no circumstances be subject to the levying of an additional tax.

14.29 Comparative Prices: Bids for Contracts with a Duration of More Than Three Years

- a. Examples of cases where this directive pertaining to discounted net present values must be applied, are the following:
 - i. Rental contracts for office accommodation.
 - ii. Rental contracts for computer and other electronic equipment.
 - iii. Maintenance contracts for elevators and other electrical and mechanical equipment with a long useful life.

14.30 Confidentiality

- a. After public opening of bids, information relating to the evaluation process may not be disclosed to interested parties or other persons not officially concerned with the process, until the successful bidder is notified of the award.

14.31 Subcontracting and Joint Ventures

- a. It is incumbent upon Msukaligwa Local Municipality to take care that:
 - i. Subcontractors and partners in joint ventures are engaged in fair and reasonable conditions of contract.
 - ii. Contractors who contravene the contract conditions may be designated as restricted persons.
 - iii. Secured payment options may only be considered where it can be justified.
 - iv. A minimum of 30% of the construction work will be subcontracted to locally based SMME's, joint venture partners, co-operatives, where the successful bidder is not locally based.

14.32 Clearance of Providers Prior To the Award of a Contract

14.32.1 Restricted Persons

- a. It is recommended that the National Treasury be contacted to determine if an organisation is restricted prior to award until the restricted list is available on the website.

14.33 Dealing with Unsolicited Bids

- a. If the accounting officer decides to consider an unsolicited bid, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with:
 - i. Reasons as to why the bid should not be open to other competitors.
 - ii. An explanation of the potential benefits if the unsolicited bid was accepted.
 - iii. An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- b. All written comments received, including any responses from the unsolicited bidder, must be submitted to the National Treasury and the provincial treasury for comment.
- c. The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- d. A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- e. When considering the matter, the adjudication committee must take into account:
 - i. Any comments submitted by the public.
 - ii. Any written comments and recommendations of the National Treasury or the provincial treasury.
- f. If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor-General, the provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

- g. Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing Msukaligwa Local Municipality entity to the bid may be entered into or signed within 30 days of the submission.

15 **AWARD**

15.1 Award Structures

- a. The Bid Evaluation Committee and the Bid Adjudication Committee or equivalent structures for a specific requirement must be composed of different members to ensure that a transparent review of the evaluation is undertaken.

15.2 Award Structure Up To R200 000

- a. Up to R200 000, the delegated officials must carry out the adjudication and award of quotations unless the recommendation is referred back for justifiable reasons or unless there are circumstances in which the report with recommendations and comments should be forwarded to the Bid Adjudication Committee or the Accounting Officer for final adjudication and award.

15.3 Powers of the Award Structure Up To R200 000

- a. The SCM Unit's representative must present the recommendation report of the relevant evaluation structure to the award structure for consideration.
- b. The SCM Unit will facilitate any queries from the award structure.
- c. The queries and answers as well as the decision of the award structure must be recorded in writing and signed by the award structure.
- d. Once approval has been granted, the SCM Unit may commence preparing the contract or other contractual documentation for the contractual commitment.

15.4 Award Structure above R200 000

- a. Above R200 000, the Bid Adjudication Committee must carry out the adjudication and award of bids unless the recommendation is referred back for justifiable reasons or unless there are circumstances in which the report with recommendations and comments should be forwarded to the Accounting Officer for final adjudication and award.

15.5 Powers of the Award Structure above R200 000

- a. The SCM Unit's representative must present the Bid Evaluation Committee's recommendation report to the Bid Adjudication Committee for consideration.
- b. Any queries and answers as well as the decision of the Bid Adjudication Committee must be recorded in writing and signed by the members.
- c. Where consensus cannot be reached between the members of the Bid Adjudication Committee, the matter must be referred to the Accounting Officer for finalisation.
- d. Where consensus cannot be reached between the members of the Bid Evaluation Committee and the Bid Adjudication Committee, the matter must be referred to the Accounting Officer for finalisation.

- e. Once approval has been granted, the SCM Unit may prepare the contract or other contractual documentation.
- f. If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must prior to awarding the bid:
 - i. Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears.
 - ii. Notify the Accounting Officer.
- g. The Accounting Officer may:
 - i. After due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee.
 - ii. If the decision of the Bid Adjudication Committee is rejected, refer the decision of the Bid Adjudication Committee back to that Committee for reconsideration.
- h. The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or the Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.
- i. The Accounting Officer must comply with section 114 of the MFMA within 10 working days.

16 CONTRACTUAL COMMITMENTS

16.1 Conclusion of Contracts

- a. A contract or agreement procured through the supply chain management system of Msukaligwa Local Municipality must:
 - i. Be in writing.
 - ii. Stipulate the terms and conditions of the contract or agreement, that must include provisions providing for:
 - The termination of the contract or agreement in the case of non- or underperformance.
 - Dispute resolution mechanisms to settle disputes between the parties.
 - A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years.
 - Any other matters that may be prescribed.
- b. The Accounting Officer must:
 - i. Take all reasonable steps to ensure that a contract or agreement procured through the supply chain management manual of Msukaligwa Local Municipality is properly enforced.
 - ii. Monitor on a monthly basis the performance of the contractor under the contract or agreement.
 - iii. Establish capacity in the administration of Msukaligwa Local Municipality:
 - To assist the accounting officer in carrying out the duties of contract management.
 - To oversee the day-to-day management of the contract or agreement.
 - iv. Regularly report to the Council of Msukaligwa Local Municipality on the management of the contract or agreement and the performance of the contractor.
- c. A contract or agreement procured through the supply chain management manual of Msukaligwa Local Municipality may be amended by the parties, but only after:
 - i. The reasons for the proposed amendment have been tabled in the Council of Msukaligwa Local Municipality.
 - ii. The local community:
 - Has been given reasonable notice of the intention to amend the contract or agreement.
 - Has been invited to submit representations to the municipality.
- d. A binding contract is concluded when a bidder's offer is accepted unconditionally by Msukaligwa Local Municipality before the validity period has expired. By signing the letters of acceptance, the contract is concluded.

- e. After the award of a quotation/bid, the quotation/bid must be finalised by the SCM Unit by issuing the letter of acceptance, the contract form, including a service level agreement and formal contract, where applicable.
- f. The SCM Unit must draw up the contractual documentation in line with recommendations approved by the relevant Award Structure. It is the responsibility of the SCM Unit to determine under which circumstances they have to solicit legal assistance.
- g. Care must be taken that letters of acceptance contain no conditions, or do not even imply the acceptance of conditions, that the relevant Award Structure has not approved as being part of the conditions of the contract to be concluded. Any special conditions set by the bidder, that has not been withdrawn, as well as any special conditions, that were approved, must also be included in the letter of acceptance.
- h. In the case of term contracts where a bigger number of items are involved, the contract circular drawn up, must be used as part of the letter of acceptance.
- i. The SCM Unit must inform the successful provider of the award by way of the letter of acceptance and invite the provider to come and sign the contract form or formal contract where applicable.
- j. Both parties to the contract must sign the contract form or formal contract.
- k. If more than one company bids as a consortium, the letter of acceptance and the contract form must be addressed to the company that signed the bid on behalf of the consortium.
- l. After the provider's signature has been obtained, the SCM Unit must submit the contract form or formal contract to the official with the authority to commit Msukaligwa Local Municipality through a signature.
- m. The signatory must ensure that he/she are satisfied that all the necessary conditions are included.
- n. All correspondence, including letters of acceptance of bids, is signed on behalf of the Accounting Officer. This is an administrative arrangement and although the Accounting Officer accepts accountability for the contract, that is concluded, the signatory remains responsible for the contract and for the correctness of the data supplied.
- o. The contract form to be signed must be accurate, impersonal, unambiguous, legible and complete. The contract form, together with all the documents such as the specification, special conditions and GCC that together make up the full contract document serves as basis for placing orders, the administration of contracts and the settlement of disputes.
- p. Discounts are always indicated in the contract form so that Msukaligwa Local Municipality, where possible, may utilise it.
- q. A copy of the letter of acceptance and a copy of the tax clearance certificate supplied by the contractor must be forwarded to SARS for control purposes at the following address:

The Commissioner
South African Revenue Services
Private Bag X923
Pretoria

0001

Tel: (012) 422 4444, Facsimile (012) 422 6843

Legal copies must be kept in a safe place for judicial reference.

16.2 Formal Contracts

- a. Where all parties concerned sign further documentation as an agreement in addition to the letter of acceptance and the contract form, it is defined as a formal contract.
- b. Such formal contract will usually be in addition to the task directive/specification or special conditions of the bid and must form part of the bidding documents.
- c. Should such a formal agreement contain conditions that were not approved by the Accounting Officer or the delegate, then such proposed formal contract must be submitted for approval prior to signature. Should the document contain new conditions, then these conditions must be cleared with legal counsel beforehand.
- d. Both the user group and the SCM Unit have a responsibility towards managing a contract.
- e. The nature of the responsibility will determine who manages the specific contractual aspect.

16.3 Service Level Agreement

- a. A service level agreement (SLA) is a document that defines the relationship between two parties, namely the contractor and the client and spells out services and activities to be executed, due dates and turnaround times.

16.4 Contracts Providing For Compensation Based On Turnover

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

16.5 Time of Conclusion

- a. The acceptance of a bid must be in writing and must be sent by registered/certified mail or as indicated in a special condition, the principle being that there must be a mechanism of proof of delivery. Therefore, once the letter of acceptance has been sent, a contractual commitment has been made and it becomes effective. The relevant date stamp of the Post Office serves as proof of the time.
- b. If the letter of acceptance is handed over, a mechanism of proof of delivery must be kept on file to ensure it is documented that a contractual commitment was established before the validity expired.

- c. The signing of the contract form or formal contract, where applicable, serves to enhance the contract established.

17 ACCESS TO BIDDING INFORMATION

17.1 Information Access

- a. All bidding information remains strictly confidential.
- b. Every bidder must be informed of final bid results.
- c. The information of one bidder may not be disclosed to any other bidder.

17.2 Informing the Successful Bidders

- a. The successful bidder must be notified in writing of the award by registered or certified mail through a letter of acceptance signed by the relevant delegated authority. This must be done within the original validity period of the bid. Although the successful bidder may be informed telephonically, it must be followed up in writing with a note to that effect.
- b. The above process will allow the SCM Unit to follow the note up with the appropriate contract documentation.

17.3 Informing the Unsuccessful Bidders

- a. Once the successful bidder was advised of the award, the SCM Unit must inform unsuccessful bidders through publication to the Municipal website.
- b. Each bidder, on request, is entitled to feedback concerning its own bid.
- c. When an unsuccessful bidder requests reasons why the bid was unsuccessful, the bidder must be requested to forward the request in writing to Msukaligwa Local Municipality. Once the written request is received, the reasons why the bid was unsuccessful must be provided in writing. It is therefore imperative that proper reasons are recorded in the evaluation and recommendation report so that it may be used to provide the bidder with justifiable reasons.
- d. Should the bidder not be satisfied with the explanation given after consultation with Msukaligwa Local Municipality, the bidder may refer the matter to the National Treasury, the Public Protector or a court of law.

17.4 Disclosure of Information

- a. When divulging information, a balance must be stricken between one party's right to access of information and the right to confidentiality of the other party.
- b. Bids are not available for perusal by the public.
- c. No itemised prices other than the formal contract prices of the successful bidder(s) may be supplied to competitors.
- d. According to the prescripts of section 36 of the Promotion of Access to Information Act, No 2 of 2000, no information may be revealed that will prejudice a third party in commercial competition. Revealing itemised prices of unsuccessful bidders may reveal their trade secrets/strategies and no such information may be revealed without the written consent of the relevant bidder(s).

17.5 Publishing of Award

- a. The following information on the successful bids must be available in the media where the bid was originally advertised and must also be published on the Msukaligwa Local Municipality's website:
 - i. Contract number and description.
 - ii. Name(s) of the successful bidder(s).
 - iii. Contract price(s).
 - iv. Brand name(s) of the product where applicable.
 - v. Delivery basis.
 - vi. Preferences claimed where applicable.

18 SALES OF ASSETS AND GOODS AND LETTING OF ASSETS

18.1 Sale of Assets and Goods

18.1.1 Determination to sell

- a. Msukaligwa Local Municipality may transfer ownership of an immovable asset, only after the Municipal Council, in a meeting open to the public:
 - i. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.
 - ii. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- b. The Municipal Council may delegate to the Accounting Officer of Msukaligwa Local Municipality to decide on the following in respect of movable assets of Msukaligwa Local Municipality below a value determined by the Municipal Council:
 - iii. When on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.
 - iv. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- c. Once the decision has been made to sell such assets and goods as a disposal strategy, the same procurement processes must be utilised as for purchases with the SCM Unit playing an active role in the process.
- d. Since revenue is applicable, the objective is to receive the highest bidding price. However, preferential procurement objectives still apply in these instances.
- e. Msukaligwa Local Municipality must endeavour to obtain market related prices when dealing with disposal of movable assets. Thus it is the Disposal Committee's responsibility to ensure that every disposal action has been investigated to achieve the best advantage for Msukaligwa Local Municipality.

18.2 Letting Of Assets

- a. Letting of immovable property to another entity is also a method of disposal of redundant property.

19 CONTRACT/PROJECT MANAGEMENT

19.1 General Responsibilities

- a. Contract management can be defined as maintaining control or influence over the contractual agreement between Msukaligwa Local Municipality and the contractor including the administering and regulating of the agreement.

19.2 Managing the Contract

- a. Both the user group and the SCM Unit have a responsibility towards managing a contract.
- b. The nature of the responsibility will determine who manages the specific contractual aspect.
- c. The management of contracts, includes, inter alia but is not limited to the aspects mentioned in this section.

19.3 Correction of an Incorrect Acceptance

- a. As soon as it has been determined that a mistake occurred in the letter of acceptance or other contractual documentation, the contractor must be contacted to obtain the incorrect documentation.
- b. Discuss the mistake with the contractor as well as what the rectification would entail so that the contractor may be willing to return the contractual documentation for rectification.
- c. Should the contractor not wish to return the documentation to Msukaligwa Local Municipality, this fact as well as the reasons must be recorded and submitted to the Accounting Officer indicating the effect that the non-rectification will have on Msukaligwa Local Municipality.

19.4 Contract Monitoring

- a. Ensure that the contract is structured in such a way as to allow the easy monitoring thereof on a deliverable basis.
- b. Ensure a set-up meeting during which it is confirmed how the contract would be monitored.

19.4.1 Trademark / brand name

- a. If a bid is accepted for a particular trademark/brand name, that trademark/brand name must appear on the product and substitute products must not be accepted.

19.4.2 Testing and inspection of supplies

- a. In cases where a specification for a product exists, or where a specification is drawn up by an authority recognised by SANAS at the request of Msukaligwa Local Municipality, the contract form and the contract circular must indicate whether the supplies are subject to

consignment inspections, sample testing or the approval of pre-production samples, as the case may be. An authority recognised by SANAS must be advised accordingly.

- b. Inspections are carried out on whatever items the Bid Specification Committee considered to be necessary as indicated in the contract established. Where relevant, bidding documents, contract forms, contract circulars or orders must reflect the fact that an authority recognised by SANAS will carry out inspections, consignment inspections before delivery (i.e. inspections of supplies that have to be sent to an organisation as a result of an order) or sample testing (i.e. testing that is carried out without prior notice to the contractor and that takes place from time to time either at the factory or at the Msukaligwa Local Municipality delivery point. When orders are placed and inspection must take place before consignment, a copy of the order must be sent to an authority recognised by SANAS with the request for an inspection to be carried out. The contractor must be instructed to advise an authority recognised by SANAS when the consignment is ready for inspection.
- c. The inspection of supplies may be carried out either before consignment at the contractor's premises or after receipt. Inspection at the contractor's premises is preferable because any faults in the consignment are then indisputably the responsibility of the contractor.
- d. If the Bid Specification Committee has set no inspection requirements and no mention was made of it in the contract form, but Msukaligwa Local Municipality deem it to be necessary that inspections should be carried out, they must make the necessary arrangements themselves. The inspection costs will then also be for their own account.
- e. Where a contract is awarded on the grounds of evaluation of a representative sample, such sample is kept for the contract period and is regarded as the contract sample. Deliveries are then compared with it in order to ensure that the quality does not deteriorate. However, if it does not correspond exactly with the contract sample, the consignment must be rejected and the contractor requested to remove and replace it immediately.
- f. Samples kept by Msukaligwa Local Municipality for control purposes may be accepted as partial execution of the contract, in which case the contractor must be requested to deliver only the balance. If a sample is not accepted as partial delivery, the contractor must be requested to collect it after termination of the contract.
- g. In the event where a consignment is rejected, the authority recognised by SANAS will inform Msukaligwa Local Municipality and the supplier of the result. A guideline with regard to acceptance at a reduction in price must be furnished by an authority recognised by SANAS. Msukaligwa Local Municipality shall, after consultation with the SCM Unit and with the approval of the relevant award structure, convey its decision to an authority recognised by SANAS and the supplier.

19.4.2.1 Costs of testing

- a. All pre-bid testing will be for the account of the bidder.
- b. The costs of testing in connection with specific term contracts and ad hoc contracts are the responsibility of Msukaligwa Local Municipality.
- c. Where a test indicates that a consignment or sample complies with the requirements, Msukaligwa Local Municipality carries the cost of the tests. Where a consignment or sample fails the tests, the contractor carries the costs.

- d. Where specific conditions regarding the testing of supplies are incorporated in a bid invitation, such as a requirement that an inspection certificate not older than a stated period of time must support a bid, the bid conditions must address the cost implication of the obtaining of such certificate.

19.5 Long Term Contract Review

- a. Msukaligwa Local Municipality must perform a periodic review of the contract of agreement once every three years in the case of a contract or agreement for longer than 3 years.

19.6 Non-Contractual Purchases

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

19.7 These aspects must be contained in the general conditions of contract.

19.8 Payments

- a. These aspects must be contained in the general conditions of contract.
- b. Sound cash management include avoiding pre-payment or advance payment for goods/services (i.e. payments in advance of the receipt of the goods/services), unless required by the contractual conditions).
- c. Where a contractor requires an advance payment or a progress payment and this is not a contract condition, payment may be made only with the prior approval of Accounting Officer or the delegate.
- d. The conditions for advance payment would normally have to include a letter of credit as a counter commitment to the advance.

19.9 Over-/Under-Deliveries

- a. Large over-deliveries may be accepted, provided the discount to be received for the larger quantities has been satisfactorily negotiated with the supplier.

19.10 Discounts on Invoices

- a. In cases where a discount is not a contract condition and a contractor indicates a discount on his invoice, this discount must be utilised if possible, for instance by making payment within the time limit specified on the invoice. However, orders must at all times be placed in accordance with the contract conditions, i.e. non-contractual discounts must not be taken into consideration when placing orders.

19.11 Insolvency, Liquidation, Death, Sequestration or judicial Management of Contractors

- a. Insolvency or bankruptcy is the failure/inability to meet financial obligations. An act of insolvency is any of the eight actions as described in the Insolvency Act whereby a guilty party subjects it to sequestration.
- b. Sequestration is firstly to place an insolvent debtor's estate in the hands where the Master decides on the estate and thereafter it rests with the trustee that distributes the assets (money) among the creditors or, secondly where the court determines insolvency.
- c. Liquidate is to determine and settle/wind up the liabilities of a firm or an estate and to mete out the assets to creditors or inheritors.
- d. Judicial management is the temporary management of a company, in a state of financial difficulty, by a judicial/legal manager appointed by the court to rectify the matter.
- e. When the estate of a contractor is liquidated for whatever reason, a choice must be made in consultation with legal advice on whether to claim against the estate or not. The risk to Msukaligwa Local Municipality is the determination factor and the choice with the smallest degree of risk is preferred.
- f. If a firm or person is liquidated and cannot further honour its commitment, it is regarded as a breach of contract. The provisional liquidator or administrator is given the choice of carrying out the contract or not. In most cases, the response is negative and a provisional claim against the estate is then registered and must be qualified to the extent that Msukaligwa Local Municipality will claim provided that it does not have to make a financial contribution.
- g. A procurator must be signed in terms of which the liquidator may act on behalf of Msukaligwa Local Municipality.

19.12 Transfer and Cession of Contracts

- a. The SCM Unit in conjunction with the user group must deal with transfers/cessions.
 - i. The contractual conditions should stipulate the conditions under which transfers/cessions may be considered and the process to be followed in such circumstance.
 - ii. Applications for the transfer/cession of contracts must be completed and signed by both the transferor and the transferee and countersigned by two witnesses. Full reasons for the transferring of the contract must be provided and the transferee's ability to carry out the contract must be established and reported to the Accounting Officer or the delegate. Unless it is otherwise in the best interest of Msukaligwa Local Municipality, it is

unlikely that the transfer will be approved if Msukaligwa Local Municipality would suffer a loss as a result thereof or if there is an increased risk to Msukaligwa Local Municipality.

- iii. Should the contract be transferred to another provider, it should be checked whether the number of preference points scored are less than that scored by the original contractor. Thus it should be indicated if the transfer would have had an influence on the original award of the contract. However the circumstances leading to the transfer must be pointed out and taken into consideration.
- iv. The contractor will raise the issue with the user group in writing where after the user group must comment of the viability of the transfer/cession and submit the request to the SCM Unit.
- v. If the transfer/cession is not viewed favourably for a justifiable reason, the SCM Unit must inform the contractor of the decision in writing and provide the user group with copies of the correspondence for filing purposes.
- vi. If the transfer/cession is viewed favourably, the SCM Unit may involve legal assistance for the purpose of drawing up the transfer/cession documentation if necessary. The SCM Unit must facilitate the signing of the transfer/cession by all parties, must forward a copy to the user group and the contractor and must file the original signed transfer/cession documentation appropriately.

19.13 Transfer of Contract Payments

- a. Great circumspection must be used in dealing with such applications. When the request is received from a contractor's supplier, bank, attorney or any other organisation, written confirmation must be obtained from the contractor first. After approval has been received for the transfer of the payments, the user group must be informed and the payment department (in Finance) advised of the new payment requirements and requested to make payments accordingly. At the same time the contractor must be advised that any receipt issued by the transferee will serve as proof of payment of the amount concerned to the contractor.
 - i. Although the transfer of payments is regarded as undesirable, every application must be dealt with on its own merits. Favourable consideration will result only where it is not to the detriment of Msukaligwa Local Municipality.
 - ii. In the case of certain commodities and services, such as rented equipment, transfer of payment is often required because the contract has been discounted to a bank, sometimes without the knowledge or approval of the client concerned. Such action is unauthorised and is tantamount to a breach of contract. Msukaligwa Local Municipality is not compelled to honour such a transfer of payment.

19.14 Contract Variations/Amendments

19.14.1 General

- a. When an item on contract is no longer available and another item has to be substituted, this implies an amendment of the contract. Such an amendment must be submitted to the relevant award structure for approval. When a contractor is no longer able to supply a contract item and offers a substitute that is more expensive, and the amendment is to the disadvantage of Msukaligwa Local Municipality, the Accounting Officer or the delegate approval must be obtained if the substitute item offers additional benefits which can be utilised by Msukaligwa Local Municipality and which justify the additional cost, it can be accepted.
- b. For the appointment of consultants, any granting of a substantial extension of the stipulated time for performance of the contract, agreeing to any substantial amendment of the scope of the services, substituting key staff, waiving the conditions of a contract, or making any changes in the contract that would in aggregate increase the original amount of the contract by more than 15 percent, is subject to the approval of the Accounting Officer or the delegate.
- c. The contractual conditions should stipulate the conditions under which amendments may be considered and the process to be followed in such circumstance.
- d. No variation in or modification of the conditions of contract may be made without all the parties signing the amendment.
- e. The user group must approach the SCM Unit with the request for amendment. The SCM Unit should contact the contractor to determine whether he/she will be amenable to an amendment to the contract within the allowable parameters.
- f. If the contractor is prepared to amend the contract and it is confirmed in writing, the SCM Unit must process the amendment and supply the user group with the details of the amendment.
- g. The SCM Unit must involve legal assistance for the purpose of drawing up the amendment, if required. The SCM Unit must facilitate the signing of the amendment by all parties. A signed copy must be forwarded to the user group and the contractor and the SCM Unit must file the original signed amendment appropriately.

19.14.2 Increase/decrease of quantities or range of services

- a. Before calling for bids, care must be taken to establish the quantities / range of services required as reliably as possible so that the need to increase / decrease quantities / range of services during the contract period may be kept to the minimum. Quantities / range of services may be decreased provided consensus exists between Msukaligwa Local Municipality and the contractor and the unit prices remain unchanged.
- b. After the original or officially amended quantities / services for which the contract was arranged, have been delivered, the contract ceases to exist. It is then no longer possible to purchase further items / services on the contract.

19.14.3 Extension of contract periods

- a. Extension of contract periods is undesirable because it often leads to uncontrolled increases in the contract prices. These must therefore be restricted to the minimum. The user group is responsible for ensuring that timely application is made for the arrangement of new contracts. Where justifiable reasons are provided for extending a contract, the relevant application may be considered favourably and contractors may be approached with the request to indicate whether they are prepared to extend the contract period.
- b. The fact that extension of contracts might affect the schedule for other contracts must also be borne in mind.
- c. If contractors are prepared to extend the contract period, but with amended price conditions, the reasonableness of the prices must be established.
- d. Contracts may normally not be extended beyond the period as determined by the Accounting Officer's delegated powers. However, the market must again be tested before the extended period has expired.

19.14.4 Extension of delivery periods

- a. Motivated applications for the extension of delivery periods in respect of ad hoc and specific term contracts may be considered favourably, but are subject to the restriction that no price adjustments, which arise during the extended period, will be considered. However, price adjustments during the extended period may be considered favourably if Msukaligwa Local Municipality requested the extended delivery period, or when delayed deliveries are caused by the actions of Msukaligwa Local Municipality.

19.14.5 Amendment of contract conditions

- a. Applications for the amendment of contract conditions are received from contractors from time to time and are usually to their advantage.

19.14.6 Amendment of specifications

- a. Each case for the amendment of specifications must be dealt with on its own merits, especially as amendments may be required due to legislative changes in the specific environment.
- b. Account must be taken of the fact that the contractor has a right of recourse against Msukaligwa Local Municipality if specifications have to be amended as a result of a mistake by Msukaligwa Local Municipality. It is essential therefore that a settlement is reached with the contractor.
- c. In the process the cost to the contractor must be considered for amending the contractual conditions.

19.14.7 Contractual price adjustments

- a. In cases where the user group received a request for price adjustment from the contractor, the request must immediately be forwarded to the SCM Unit for facilitation.
- b. The SCM Unit is responsible for confirming that the request is in line with the contractual conditions and must verify the calculations presented.
- c. Once the request is accepted as correct and approved by the official with the necessary delegated authority, the SCM Unit must inform the contractor in writing and must inform the user and the finance groups of the approved amendment to demonstrate the influence of the change on the contract.
- d. The SCM Unit must file the amendment with the original contract.
- e. Contractual price adjustments are considered in terms of the contract conditions. Since the general conditions of contract cannot set out conditions pertaining to price increases, it is important that all bid documentation must contain the relevant special conditions pertaining to price increases.
- f. The following should be used for pricing schedules:

Firm prices for purchases

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

Non-firm prices for purchases

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

Period for claims

- iii. The adjustment in price shall cover only the period between the closing date of a bid and the final delivery date in terms of the contract.
- iv. Claims against Msukaligwa Local Municipality must be proven to the satisfaction of the SCM Unit as soon as possible.

Price adjustments due to escalation

- v. In some instances (contracts exceeding 12 months) it might be in the best interest of Msukaligwa Local Municipality to allow price adjustments based on escalation. What the best option should be will require a careful analysis of all related aspects that will influence the adjusted price, including the cost for the additional administrative work. If the Bid Specification Committee resolves to allow price escalation as part of the contract, this should be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments should be considered.

vi. The following formula is applicable if adjustments of prices are allowed:

$$Pa = (1 - V)Pt \left(D1 \frac{R1t}{R1o} + D2 \frac{R2t}{R2o} + Dn \frac{Rnt}{Rno} \right) + VPt$$

Where:

Pa = the new escalated price to be calculated.

(1-V)Pt = 85% of the original bid price. Note that Pt must always be the original bid price and not an escalated price.

D1, D2 = each factor of the bid price e.g. labour, transport, clothing, footwear, etc. The total of the various factors D1, D2...etc. must add up to 100%.

R1t, R2t = Index figure obtained from new index (depends on the number of factors used).

R1o, R2o = Index figure at time of bidding.

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

Price adjustments due to fluctuation in the rate of exchange

- vii. The price adjustments based on ROE fluctuations, should be allowed only on the imported contents of the commodity to meet only the suppliers' additional costs of the imported content.
- viii. Where the whole or a portion of the bidding price may be affected by the revaluation of currencies or any fluctuation in the ROE, the bidder shall, in accordance with the bidding requirements, state in the bid the amount to be paid in foreign currencies or to be remitted abroad, as well as the rate of exchange applied in the conversion of that amount into South African currency in calculating the bid price.
- ix. All rate of exchange claims must be accompanied by proof from the bank of the existing exchange rate.

19.14.8 Non-contractual adjustment of prices

- a. For example, when contractors suffer a loss as a result of their own negligence, price adjustments not covered by the contract are not favourably considered. However, where a contractor suffers loss as a result of circumstances beyond his control, or as a result of incorrect action by Msukaligwa Local Municipality and particularly when such loss might cause its downfall, non-contractual price adjustments may be considered by Msukaligwa Local Municipality. If such adjustments are to the disadvantage of Msukaligwa Local Municipality and the necessary Accounting Officer or the delegate approval must be obtained.

19.14.9 Reduction of prices

- a. Msukaligwa Local Municipality must accept price reductions after award of a contract where this is advantageous to Msukaligwa Local Municipality, unless the acceptance of the price reduction amounts to breach of contract.

19.15 Unsatisfactory Performance

19.15.1 Unsatisfactory performance: National Treasury's role

19.15.1.1 General

- a. Unsatisfactory performance occurs when performance is not in accordance with the contractual conditions. Directives regarding action in such cases must appear in the general conditions of contract.
- b. The user group must timely identify unsatisfactory performance in terms of the contract.
- c. The SCM Unit must, in consultation with the user group and legal assistance if required, bring unsatisfactory performance to the attention of the contractor in writing. Also apply the Audi alter am partum rule in the management of unsatisfactory performance. The SCM Unit must give notice to the contractor of action to be taken in line with the contract due to non-performance.
- d. If the performance is not rectified, the user group must inform the SCM Unit of this fact.
- e. Before action is taken in terms of the general conditions of contract or any other special contract condition applicable, Msukaligwa Local Municipality must warn the contractor by registered mail that action will be taken in accordance with the contract conditions unless the contractor complies with the contract conditions and delivers satisfactory supplies or services within a specified reasonable time. If the contractor still does not perform satisfactorily despite a final warning, the SCM Unit may make a recommendation to the Accounting Officer or the delegate for the appropriate penalties to be introduced or make a recommendation to the Accounting Officer for the cancellation of the contract concerned.
- f. When correspondence is addressed to the contractor, reference must be made to the contract number, the item number and the number and date of any relevant invoice, statement or letter received from the contractor. Otherwise the number and date of the order, a short description of the supply or service and details of the destination if applicable, must be supplied.
- g. When Msukaligwa Local Municipality has to satisfy its need through another provider (for the contractor's expense), the loss to Msukaligwa Local Municipality must always be restricted to the minimum since it is difficult to justify the recovery of unreasonable additional costs from the contractor.

19.15.1.2 Warrantees

- a. If, during the warranty period, goods do not comply with the requirements because of faulty material used during manufacture, or faulty finishing, or any deficiency, latent or otherwise, the contractor must be requested without delay, by registered mail, to replace or repair the goods depending on the circumstances. Supplies replaced or repaired or services rendered

must be warranted for the same period as the original supplies or services. See the general conditions of contract in connection with warrantees.

- b. If rejected supplies are in the possession of Msukaligwa Local Municipality, the contractor must be requested to indicate, within a given time limit, how these must be disposed of and warned that if there is no reaction to the request, the supplies will be returned "railage to pay". If the request is ignored Msukaligwa Local Municipality must act accordingly.

19.15.1.3 Claims against cartage contractors

- a. Where contracts are concluded on the basis of "F.O.R. despatch station", consignments, when delivered at the final destination or taken into receipt at the receiving station, must be carefully inspected. If there are no external signs of damage and the quantities are correct, the receipt may be signed.
- b. However, if the external condition is such that the consignment might be damaged or if the description on the delivery document differs from the order, the cartage contractor's attention must be drawn to the matter. The cartage contractor must then inspect the consignment and if he is responsible for any damage, he must entertain a claim for damage compensation. Care must be taken to submit claims within the time period required by the cartage contractor. If the cartage contractor denies responsibility and rejects a claim because the consignment was not properly packed, a claim must immediately be submitted to the contractor responsible for packing.
- c. Where contracts are concluded on the basis of "F.O.R. "delivered into stores", the contractor is responsible for shortages, damage or loss, and claims must therefore be initiated without delay if consignments show signs of damage or the number of containers is not correct on receipt.
- d. Received goods must be opened under the supervision of more than one responsible official and the contents checked to establish quantities, condition, mass, etc. Claims, which might be necessary, must be initiated without delay.

19.15.1.4 Late deliveries

- a. The general condition of contract should state that delivery of supplies must be made in accordance with the conditions specified in the contract.
- b. Before action due to late delivery is instituted against a contractor that has offered a firm delivery period, the circumstances under which the late delivery took place must be investigated. There may be valid reasons for the late delivery that are beyond the control of the contractor, in which case action cannot be taken summarily against the contractor.
- c. On the other hand, contractors must not be allowed to delay deliveries repeatedly even where non-firm delivery periods have been offered. Wherever possible, firm delivery periods must be insisted upon before a bid is accepted, as well as when the issue of late deliveries crops up during the period of a contract.

19.15.1.5 Penalties for late delivery

- a. Penalties are not intended as a source of income for Msukaligwa Local Municipality, but serve as an incentive to the contractor to perform within the contractual conditions.

- b. Circumstances exist where penalties cannot be imposed summarily. Late deliveries must, however, be thoroughly investigated and action taken where necessary. Therefore, Msukaligwa Local Municipality have discretionary powers in this respect.
- c. Where an unreasonable delay occurs, Msukaligwa Local Municipality must address a written warning to the contractor by registered mail, setting a cut-off date (usually three weeks from date of warning) and warn that the penalty clause will be applied if the order is not executed before the cut-off date. If the warning is not heeded, the penalty clause must be applied and the action reported to the Accounting Officer.
- d. Where firm delivery periods are applicable and late delivery occurs, penalties do not have to be imposed where Msukaligwa Local Municipality suffered no damage, loss or inconvenience.
- e. In the following cases penalties for late delivery must be imposed:
 - i. Where deliveries within a particular time period (service) were a specific contract condition and where delays caused serious damage, loss or inconvenience to Msukaligwa Local Municipality.
 - ii. Where a firm delivery period (supply) was a contract condition and where delays caused serious damage, loss or inconvenience to Msukaligwa Local Municipality.
- f. Penalties are imposed on the outstanding portion of the order only if beneficial use of the completed portion of the supply or service is possible. Otherwise penalties are imposed on the full value of the order. Penalties are calculated as from the contractual date of delivery or such extended delivery date mutually agreed to in writing by the contracting parties.
- g. Contractors may appeal against the deduction of monies in respect of penalties, or the initiation of claims as a result of late deliveries. The contractor may escalate the case where agreement cannot be reached between Msukaligwa Local Municipality and contractor.
- h. If a contractor successfully appeals against the deduction of monies as a penalty, such monies must be repaid without delay.

19.15.1.6 Legal remedies in the case of incorrect preferences

- a. If a contractor should win a contract on the basis of wrong information supplied regarding the preferences claimed, and it is shown later that the information is incorrect, then the Accounting Officer has the power to:
 - i. Recover any costs or damage which Msukaligwa Local Municipality might have suffered as a result of the conclusion of the contract; and/or
 - ii. Terminate the contract and recover any loss that Msukaligwa Local Municipality may suffer as a result of having to make less favourable arrangements; and/or
 - iii. Deduct from the contract price, as a penalty, a sum calculated on the delivered price of the delayed goods or unperformed services using the current prime interest rate calculated for each day of the delay until actual delivery or performance. A written notice to the effect must be issued to the contractor by registered mail.
- b. The National Treasury must be informed when such cases come to light so that they may decide on suitable action.

19.15.2 Unsatisfactory performance: National Treasury's role

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

19.15.3 Restriction

- a. In terms of The Prevention and Combating of Corrupt Activities Act, only the National Treasury is empowered to impose restrictions on providers that were found guilty by a court of law for criminal offences related to public sector bids.
- b. However in terms of Treasury Regulation 16A9.2 Msukaligwa Local Municipality may restrict or refuse bids as stated in the regulation above. The difference being that the restriction is not placed by a court of law.
- c. When considering restriction, Msukaligwa Local Municipality must ensure that all the facts are made available to all role players and the National Treasury is fully informed of the person or organisation's reactions to the warnings that were issued. Furthermore, care must be taken that the prescribed procedures have been followed, since the court may find that an administrative action, such as the imposition of a restriction, is not –
 - i. Valid in cases where the person or organisation, for example, has not been given a reasonable time to put the other side of the case, or has not been fully informed of the results of his failure to react. It is also possible that, where contradictions or ambiguities exist, the court will give the benefit of the doubt to the persons or organisations against whom a restriction has been imposed and may pass judgement in their favour.
 - ii. The register of restricted persons or companies prohibited from doing business with the public sector, found guilty by a court of law is obtainable from the National Treasury's database. See also Treasury Regulations 16A9.1(c).

19.16 Contract Termination

- a. Contract termination required by Msukaligwa Local Municipality due to non-rectified breach of contract or corruption, must always be initiated by the SCM Unit in consultation with the user group and legal assistance where required.
- b. The SCM Unit must forward a notice of termination to the contractor and the user group must be kept informed of the actions taken.
- c. If the contractor does not agree with the termination, the case must be handed over for legal assistance.
- d. Termination of a contract is usually detrimental to Msukaligwa Local Municipality. Therefore serious thought must be given to the grounds for considering termination. Clarity must be reached beforehand on the question of whether the contractor will have a claim against Msukaligwa Local Municipality or not, and if so, whether termination can be

justified. If termination is decided upon, the matter must be explained fully in a memorandum to the Accounting Officer and the following must be addressed:

- i. The arrangements to be made for completing the contract.
- ii. Whether additional costs will be recovered from the contractor.
- iii. If the additional costs cannot be determined precisely, a careful estimate must be made and mentioned in the submission to the Accounting Officer.
- iv. Any claim for the recovery of additional costs must be limited to the minimum actual amounts. Therefore, in such cases, Msukaligwa Local Municipality cannot summarily authorise purchasing to the best advantage of Msukaligwa Local Municipality, since this might prejudice the recovery of the additional costs from the original contractor. There may be other avenues of action, which might result in lower additional costs. Consequently, thought must also be given to the possibility of considering the next lowest acceptable bid received in response to the particular bid invitation, for acceptance. As an alternative, a fresh contract may be concluded through the normal bid procedures. In this process, account must be taken of the time elapsed between the closing of a bid and the cancellation of the contract and the effect of the cancellation on the Msukaligwa Local Municipality's schedules.

19.17 Objections and Complaints

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

19.18 Resolution of Disputes, Objections, Complaints and Queries

- a. The appointed person is responsible:
 - i. To assist in the resolution of disputes between Msukaligwa Local Municipality and other persons regarding:
 - Any decisions or actions taken in the implementation of the supply chain management system.
 - Any matter arising from a contract awarded in the course of the supply chain management system.
 - ii. To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- b. The appointed person must:
 - i. Strive to resolve promptly all disputes, objections, complaints or queries received.
 - ii. Submit monthly reports to the accounting officer on all disputes, objections complaint or queries received, attended to or resolved.
- c. A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:

- i. The dispute, objection, complaint or query is not resolved within 60 days.
- ii. No response is forthcoming within 60 days.
- d. If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- e. This above must not be read as affecting a person's rights to approach a court at any time.

20 LOGISTICS MANAGEMENT

20.1 Integrated Logistics Management

- a. The foundation of integrated logistics management is total cost analysis, defined as minimising the total cost of transportation, warehousing, inventory, order processing and information systems; the integrated logistics management refers to administering the various activities as an integrated system.
- b. The system has the following 11 specific sub-processes:
 - i. Stores accounting.
 - ii. Handing and taking over.
 - iii. Placing of orders.
 - iv. Stocktaking.
 - v. Inventory management.
 - vi. Transit.
 - vii. Stores/warehouse management.
 - viii. Transport management.
 - ix. Channels of distribution.
 - x. Contract administration
 - xi. Maintenance.

20.2 Stores Accounting

20.2.1 Principles of accounting

- a. The principles of accounting must always be kept in mind when accounting takes place.

20.2.1.1 Accounting

- a. In terms of stores and equipment, it must always be accounted for whilst in stock or in use. Accounting continues until the items are consumed, unserviceable, surplus to requirements or redundant and the prescribed disposal action taken.

20.2.1.2 Delegation

- a. The assignment of responsibility and authority from a higher to a lower organisational level must always take place when the responsibility and accountability for stores and equipment or a function is transferred between two officials.

20.2.1.3 Competency

- a. A function or task may only be delegated to a qualified and competent official.

20.2.1.4 Handing and taking over

- a. Proper handing and taking over procedures must be instituted to ensure the continual determination of responsibility for stores and the administration thereof.

20.2.1.5 Division of functions

- a. Functions, such as the accounting for stores and equipment and the warehousing thereof may not be entrusted to the same official. Functions should be separated to ensure proper control and the elimination of irregularities.

20.2.1.6 Authorisation

- a. All accounting transactions must be authorised by means of a signature at the level as prescribed for the nature of the transaction taking place.

20.2.1.7 Legibility

- a. Documentation must be legible and completed in ink (black and blue only).

20.2.1.8 Unique number series

- a. Different types of documentation or files must be numbered in their own series, commencing with number one at the beginning of each financial year.

20.2.1.9 Blank spaces

- a. No spaces may be left between entries. A rule-off line must also be drawn under the last entry.

20.2.1.10 Numbering of documents

- a. All accounting documents must be numbered in a unique series applicable to the transaction being reflected.

20.2.1.11 Amendments to documents

- a. Source and accounting documents and ledgers may not be amended. Any amendments needed must be done by means of discrepancy (adjustment) vouchers. If this is not practical, the error may be corrected by drawing a single line through the error. The official and the supervisor authorising the amendment must sign the correction. Under no circumstances may correcting ink be used in or on any file, documents, ledger cards or registers.

20.2.1.12 Quittance

- a. Acknowledgement of receipt of all stores and equipment must take place by allocating receipt numbers and signatures to accounting documents. Copies of the acquitted documents must be filed in sequential order.

20.2.1.13 Dual entry

- a. The dual entry system is applicable to all internal issues and receipts of A class items. Transactions may take place between the main ledger of two self-accounting entities or between main ledger- and distribution (or personal) accounts within the same department.

20.2.1.14 Pre-posting of transactions

- a. Accounting (posting on ledgers) for stores and equipment must take place before the relevant item is physically removed or placed in the rack.

20.2.1.15 Auditing

- a. A vetting clerk must confirm the correctness of transactions by auditing all accounting transactions. The internal audit unit will also carry out an audit and the risk management committee will manage risk determination audits.

20.2.1.16 Completeness of documents

- a. All documents must be completed in terms of the information required to ensure that it is a legal document. Documents must normally at least reflect the date, item/service description, authorisation for transaction and the relevant signatures and cross-reference.

20.2.1.17 Item control number (ICNs)

- a. ICNs must be used on all accounting documents.

20.2.1.18 Source (substantiating) documents

- a. There must always be source documents to substantiate any accounting transactions.

20.2.1.19 Retention of documents

- a. All source documents and vouchers created must be filed in sequence and retained for the periods as prescribed by the Archives Act.

20.2.1.20 Disposal

- a. All accounting documents must be disposed of in accordance with the disposal policy.

20.2.1.21 Safe custody

- a. All documents must be held in safe custody by ensuring that buildings are secure and that the relevant fire prevention, loss control and quality control procedures are followed.

20.2.1.22 Preservation of documents

- a. Documents must be preserved whilst held in the registry.

20.2.1.23 Ledger accounts

- a. All stores, items or services received must be accounted for.
- b. Services rendered will be regarded as E-class accountable.
- c. A-class items are accounted for on all levels, and are those items that are not consumable or expendable, and may be replaced when it becomes unusable. (Tables, chairs, clothing, etc.)
- d. E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable after being used (soap, toilet paper, chalk, etc).
- e. A-class items must be accounted for on an A-class item ledger card and E-class on an E-class item ledger card before issued, by means of a receipt voucher.
- f. A- and E-class ledger cards must be completed in full and must be authorised to be opened by the chief accounting clerk. When the chief accounting clerk is transferred, the new chief accounting clerk as recorded in the index register must countersign all cards.
- g. An index register must be kept for all opened A- and E-class ledger cards.
- h. Under no circumstances may A- and E-class ledger cards be kept with the stock.
- i. The index register must be kept separate from all ledger cards.
- j. Under no circumstances may ledger cards or tally cards reflecting transactions be destroyed before the prescribed period of time has elapsed. This timeframe is according to the National Archives Act of South Africa (Act No43 of 1996).

20.2.1.24 Accounting actions

- a. Accounting in respect of all stores, equipment, livestock and services rendered must be affected on ledger cards.
- b. Due to the fact that E-class accountable items are consumable/expendable, accounting thereof is only done on chief user level. After issue for local or internal use no accounting is necessary. However, proper and strict control must be implemented, i.e. counter book or register. This principle will never apply to a store, where accounting on all levels must be done.
- c. On receipt of the invoice reflecting the correct total for stores (a transit function) or service rendered, it must be certified as correct. A receipt voucher must be completed reflecting all the necessary information and must be posted on the ledger cards.
- d. The aim of this accounting action is to determine the total expenditure for services, stock, equipment and items rendered for the financial year. Totals must therefore be correct.

20.2.1.25 Receipt/Issue voucher

- a. The receipt voucher must be used for external receipts as well as external stores issues.
- b. The principles for accounting are applicable. The following must also be noted:
 - i. The original must be completed in blue or black pen. Black or blue carbon paper must be used for the copies (normally not more than 4), but may vary according to the type of transaction.

- ii. A serial/voucher number must be allocated to each receipt/issue voucher, starting at 001 on 1 July each year.
- iii. The receipt voucher numbers is taken up from the relevant receipt voucher file and the issue voucher number is taken up from the external issue voucher file. A copy of the voucher, receipt or issue is registered on the specific file and filed in the relevant file.
- iv. Under no circumstances may this file leave the office where it is kept.
- v. This receipt voucher is used to post transactions to the relevant ledger cards.
- vi. When the issue voucher is acquitted, the user will receive a copy and the acquitted voucher is then used to post this item to the user distribution account.
- vii. A copy of the receipt voucher must accompany the order for payment as proof of receipt and not only the invoice.
- viii. All vouchers must be filed in number sequence in the relevant files.

20.2.1.26 Register for ledger cards

- a. When opening a ledger/tally card, a register number must be allocated to each card. An index register is used for this function to see that another card was not opened.
- b. The index register must be kept by the chief accounting clerk and only he/she can open a register card.
- c. Information reflected on the index register must be printed and be under direct control of the chief accounting clerk.

20.2.1.27 Distribution register

- a. All A-class accountable stores items issued to users must be accounted for in the distribution ledger card.
- b. The distribution ledger card must be numbered in the “card number” column.
- c. A distribution ledger card must be opened for every user. The totals of items are required for verification during stocktaking.
- d. All issue and receipt vouchers to a specific user must be posted on his/her distribution ledger.
- e. When an item is issued to an individual, the distribution card will be numbered with his/her employee number.
- f. In case of stores transfers between distribution account holders, an internal requisitioning voucher may be used. Codes must be reflected on the requisitioning voucher. The budget section must make the adjustments on the users commitment registers.
- g. Where serial numbers are applicable, it must be entered on this card.
- h. No cards may be disposed of before the dates as stated in the National Archives Act of South Africa (Act No 43 of 1996).

20.2.1.28 Inventory holders

- a. Every distribution account holder (the person accountable) may delegate duties and responsibilities to inventory holders in writing, per room, floor or building.
- b. The duties must include the responsibility for checking and stocktaking of the articles in use (A-class) and the completion of the inventory register. These duties may be given to an official over and above his/her normal duties. Checking of the inventory register must be done on a quarterly basis. The inventory register must be signed and dated.

20.2.1.29 Inventory register

- a. All A-class accountable stores must be accounted for on inventory registers.
- b. Vouchers received must be used to record those transactions on inventory registers.

20.2.1.30 Private equipment register

- a. Officials making use of their personal equipment (such as PCs) on state property must declare such and obtain authority. These items must be reflected on the private equipment register. The inventory register may be utilised for this purpose.
- b. The private equipment register must be checked regularly. It must be signed and dated by a person authorised to do so by the Accounting Officer.

20.2.2 Voucher registration

- a. The management of voucher files and records has a direct influence on the effectiveness of the internal and external SCM accounting. The voucher registry must allow for the orderly and accurate storage of accounting documentation. All accounting records created or received during the execution of the SCM functions are public records that must be stored for easy accessibility, facilitating transparency and accountability.
- b. The Archives Act prescribes the requirements for the management of records and it is therefore imperative that records are managed in accordance with the Act and subject to the laid down laws, rules and regulations.

20.2.2.1 Role of voucher registries

- a. Voucher registration is the activity where all SCM accounting documentation is registered, scrutinised and controlled.

20.2.2.2 Functions of voucher registries

- a. The following functions should be allocated to this section:
 - i. Opening and maintenance of registers for the registration of accounting documents.
 - ii. Audit of accounting documentation to ensure that transactions have been finalised.
 - iii. Filing of finalised documents in numerical sequence.
 - iv. Quittance to other accounting entities for external transactions.

- v. Archiving of documents.
- vi. Disposal of files.

20.2.2.3 General requirements

20.2.2.3.1 *Safety and preservation*

- a. Steps must be taken to ensure the physical safety and security of personnel, property, equipment, assets and documentation. Damage prevention such as fire appliances, pest control and emergency plans must be maintained.

20.2.2.3.2 *Quality control*

- a. The policy on quality control measures must be implemented for all processes and procedures by regular inspections and updating of instructions.

20.2.2.3.3 *Loss control*

- a. Support must be given to the loss control officer as appointed by the head of the department. The reporting procedures and reports prescribed by the loss control officer must be strictly adhered to.

20.2.2.3.4 *Division of activities*

- a. In order to achieve and maintain efficient control, the activities of voucher registries must be separated from other activities such as acquisition and the physical handling of goods and equipment.

20.2.2.3.5 *Information*

- a. The flow of information with regard to voucher registries must be formalised by the maintenance of appropriate registers and files.

20.2.2.3.6 *Handing and taking over*

- a. The roles, functions, responsibilities and accountability for the management or execution of voucher registries must be formally handed and taken over by officials relinquishing or taking over any of these functions as prescribed in the delegation policy.

20.2.2.3.7 *Competency of officials*

- a. Powers and duties may not be delegated or handed over without the officials being competent to perform such functions. Proper training and regular audits and inspections of their capabilities must be prescribed to ensure the competency of officials.

20.2.2.3.8 *Security*

- a. The procedures to be promulgated must address at least the following aspects:
 - i. General physical security.
 - ii. Control over the removal of resources.

- iii. Protection of information and confidentiality.
- iv. Protection against unauthorised access.
- v. Maintenance and protection of record integrity against amendments or deletion.

20.3 Handing and Taking Over

20.3.1 Handing and taking over requirements

- a. Where handing and taking over between logistics officials, who are in control of stores/equipment, takes place, a handing and taking over certificate must be completed. When administration functions such as accounting, transport, registries or transit are handed and taken over, certificates from subordinates to the effect that the tasks in that function are up to date and that no irregularities exist, must accompany the certificate.
- b. Handing and taking over is also applicable to inventory holders.
- c. If for any reason the person relinquishing responsibility is not available, an impartial official must be nominated in writing by the Accounting Officer, to assist the person taking over the functions and to certify of any discrepancies/irregularities.

20.3.2 Assuming and relinquishing of responsibility

- a. The Accounting Officer, his/her stores/equipment controllers and all inventory holders are responsible for the functions, stores and equipment under their control.
- b. Whenever a temporary or permanent change in appointment of these officials takes place, handing and taking over must be carried out between the persons assuming and relinquishing the post.
- c. The signing of the certificate implies that the outgoing person relinquishes his responsibility whilst the incoming person accepts it.
- d. In case of failure to comply with the requirements of a handing and taking over certificate, the person taking over is liable for any shortages/irregularities, unless it can be established that the shortages/irregularities existed prior to his/her taking over.

20.3.3 Handing and taking over by accounting officers

- a. If a complete stock take within a reasonable time is impracticable, the incoming Accounting Officer must obtain supporting certificates from all key logistics officials (stores officials, transport officials, inventory holders, chief users, etc.) pertaining to the following:
 - i. Duties and responsibilities.
 - ii. Accounting for stores and equipment.
 - iii. Stocktaking for the previous financial year.
 - iv. The stocktaking programme.
 - v. Stores and equipment are being properly stored, preserved, and safeguarded against fire and theft.

- vi. Outstanding Disposal Committee matters.
- vii. The quality of stores administration.
- viii. Audit queries.
- ix. Building, fixtures and fittings.
- x. Official quarters.
- xi. Maintenance of all facilities.
- xii. Stores discrepancies.

20.3.3.1 Relinquishing a post in the absence of an Accounting Officer

- a. If an Accounting Officer who relinquishes the post cannot attend the handing and taking over, the mayor must appoint a capable impartial officer in writing to assist the incoming Accounting Officer.

20.3.4 Handing and taking over between officials in control of stores and equipment

- a. When logistics officials and inventory holders relinquish their posts and are replaced, stocktaking of all stores and equipment under their control must be carried out in the presence of their successors.

20.3.4.1 Amended handing and taking over procedure

- a. When a complete stock take within a reasonable time is impracticable, the head of the office may request prior authority from the Accounting Officer to follow an amended handing and taking over procedure.
- b. Should an amended handing and taking over procedure be authorised the incoming member must obtain supporting certificates from all key officials who will be under his control and also from inventory holders where applicable.
- c. Any information that needs to be brought to the attention of the Accounting Officer must accompany the handing and taking over certificate.
- d. If a member who relinquishes his post cannot be present during the handing and taking over, the Accounting Officer must appoint an impartial person in writing to assist the incoming member.

20.3.5 Handing and taking over for inventory holders

- a. Changing of inventory holders may only take place on receipt of a written instruction from the head of the office.
- b. If a member who relinquishes his post cannot be present during the handing and taking over, the head of the office must appoint an impartial person in writing to assist the incoming official.

20.3.6 Discrepancies during handing and taking over

- a. All stores (surplus and deficiencies) that are revealed during the handing and taking over must be investigated.

20.4 Placing Of Orders

- a. Placing of orders must at all times take place in accordance with this procedure manual.

20.4.1 Stock Levels

- a. Due to protracted lead times, or because of a need to keep specific items in stock, the following should be determined in order to automate the ordering process:
 - i. which items and quantities thereof to be kept in stock;
 - ii. minimum/maximum levels to be kept in stock based on consumption figures or inputs from users; and
 - iii. allowing for a safety margin ($\pm 20\%$) to be added to the minimum level to cover unforeseen circumstances.

20.4.2 Contract Purchase

- a. Where a contract exists, orders should be placed for the item from the contract.

20.4.3 Price Quotation / Competitive Bidding Method

- a. Where there is no contract, the price quotation or competitive bidding method of ordering should be applied within delegated authority.

20.4.4 Order administration process

- a. The order administration process starts with the receipt of a correctly completed procurement file and ends with the delivery of the correct goods/services in the correct quantity/quality at the right place at the right time. The steps of the process entail the following:
 - i. Receipt/authorisation of the procurement file.
 - ii. Printing of the order.
 - iii. Approving the order.
 - iv. Distribution of the copies of the order.
 - v. Amendment of an order.
 - vi. Cancellation of an order.
 - vii. Control of orders.

20.4.5 Printing the order

- a. Where divisions do not have their own order printing facilities, printing should be done at a central venue.

20.4.6 Approving the order

- a. No amendments may be done directly on the order forms. Only the logistics official/s who have been duly authorised thereto in writing may sign orders.
- b. The logistics official must ensure that the word “duplicate” on the corrected order is cancelled and replaced by the word “corrected”.

20.4.7 Distribution of orders

- a. Each department must maintain a register of those orders created to satisfy its needs. The copies of each order must be distributed as follows:
 - i. Original copy to the supplier.
 - ii. Copies of the order are distributed as follows:
 - A copy to the accounting section.
 - A copy to the finance section.
 - A copy to transit.

20.4.8 Amendment of an order

- a. Circumstances may arise when it becomes necessary to amend an order. These circumstances could affect the specific items ordered, the specification of the items, the order quantity, the delivery period, the points of delivery, the packaging or even the delivery intervals in the case where partial deliveries have been specified. Each case must be dealt with on its own merit and in terms of the applicable contracts/terms of reference. Amendments to an order could be initiated by either the supplier or the relevant division.

20.4.9 Cancellation of an order

- a. Under certain circumstances it may be necessary to cancel an order. The matter must be dealt with in terms of the applicable contract/terms of reference and all the relevant parties must be involved, including the municipality’s legal advisors.
 - i. Prior approval of the Bid Adjudication Committee may have to be obtained before an order may be cancelled.
 - ii. In cases where an order has been approved for cancellation due to valid reasons, all copies of order must be reclaimed and marked “CANCELLED”.
 - iii. An affidavit stating the reasons for the cancellation must be attached to the order.
 - iv. The supplier must be informed in writing of the reasons, without elaboration, for the cancellation of the order.

20.4.10 Used order forms

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

20.4.11 Control of orders

- a. The control of orders must not be neglected. Suitable registers must be considered to ensure the control of orders.

20.5 Stocktaking

- a. Stocktaking must at all times take place in accordance with this procedure manual.

20.5.1 Role of stocktaking

- a. Stock take is done to determine if the quantities of the physical stores, equipment and assets correspond with the balances as indicated on main and distribution ledgers. Stock take on storerooms and asset records must be carried out on a yearly basis. Reports on the findings and requests for approval of discrepancies must be submitted to the Council for approval.

20.5.2 Functions of stocktaking

- a. The following functions should be allocated to stocktaking:
 - i. Determine a stock take programme.
 - ii. Ensure that all accounting transactions have been finalised.
 - iii. Provide lists of all main and distribution ledger accounts to be verified.
 - iv. Do stock count on stores.
 - v. Do stock count on inventories (distribution) accounts.
 - vi. Compare totals of physical stock with ledger balances.
 - vii. Deal with discrepancies.
 - viii. Make adjustments by constructing discrepancies vouchers.
 - ix. Complete stock takes report.
 - x. Obtain authority for adjustments.

20.5.3 Organisation for stocktaking

20.5.3.1 Stock take officer

- a. A senior officer must be appointed as stock take officer. The functions of the stock take officer should inter alia include the following:
 - i. Determine a stock take programme.
 - ii. Ensure that all accounting transactions have been finalised.
 - iii. Appoint stock take teams.
 - iv. Coordinate stock take activities at storerooms and inventories at all levels within the municipality.
 - v. Deal with discrepancies by ensuring investigation of the causes.
 - vi. Submit reports.

20.5.3.2 Stock take teams

- a. Teams must be appointed to do stock take at storerooms and on inventories. Internal Audit must be involved in this activity. The functions of the stock take team should inter alia include the following:
 - i. Execute stock take programme.
 - ii. Ensure that all accounting transactions have been finalised.
 - iii. Obtain lists of all main and distribution ledger accounts to be verified.
 - iv. Do stock count on storeroom.
 - v. Do stock count on inventories (distribution) accounts.
 - vi. Compare totals of physical stock with ledger balances.
 - vii. Deal with discrepancies by investigating the causes.
 - viii. Make adjustments by constructing discrepancy vouchers.
 - ix. Complete stock takes report for submission and approval.

20.6 Asset Management

- a. Asset management must at all times take place in accordance with this procedure manual.

20.6.1 Asset records

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

20.6.1.1 Organisation of the asset management section

Segregation of duties

- a. The segregation of duties for control purposes should apply where possible.
- b. The asset management section consists of the sub-sections mentioned below:
 - i. Asset records (normal).
 - ii. Personal asset records.
 - iii. Stock takes.

Delegations

- c. The officials working in the asset management section of logistics must have delegated powers and duties and be provided with a duty sheet.

20.6.1.2 Functions of the asset management section

- a. The following functions should be managed by the asset management section:
 - i. Keeping of asset records.
 - ii. Creation of asset records.
 - iii. Decreases/increases in items on asset record (issues and receipts).
 - iv. Transfer/handing over of assets on internal requisition form.
 - v. Dealing with deficiencies, surpluses, unserviceable and obsolete items, etc.
 - vi. Repair and maintenance of items on asset record.
 - vii. Preparation in respect of a disposal action.
 - viii. Handling of asset records.
 - ix. Manage handing and taking over between asset record holders.
 - x. Changing of Item Control numbers (ICN's).

20.6.1.3 Management of asset records

- a. Asset records must be printed in duplicate. Any amendments on asset records are strictly forbidden. Any increases/decreases must be substantiated by vouchers.
- b. A separate asset record must be drawn up for each section or office.
- c. Asset records must be numbered in alpha/numerical sequence per chief user.
- d. A list of asset records must be kept by the official verification clerk. This list is to be started on 1 July of a particular year and is to be kept for a cycle of 5 years.
- e. Entries on asset records must be numbered consecutively.
- f. The opening balance of the asset record is the end total, which is brought forward from the records used in the previous 5 year cycle.

- g. If for any reason during the 5 year cycle the asset record becomes illegible or unsuitable for further use, the totals of all the items must be carried forward to a new asset record.
- h. If one of the certificates on the reverse side of the asset record form becomes inadequate, the record must be carried forward on to a new form and it must be kept and filed.
- i. All old asset records in respect of a particular inventory must be chronologically.
- j. filed in a separate file. All entries/adjustments to asset records must be regularly checked by official verifiers.
- k. Changes in asset record holders must be substantiated by the completion of the handing and taking over certificates. Changes in asset record controllers may only take place on receipt of a written instruction from the head of the office.
- l. If, for specific reasons the official handing over is unable to be present, the head of the office must nominate, in writing, a neutral official who has knowledge of the specific asset record's stores, to assist the official taking over with the checking and certifying of the relevant stores.
- m. Officials in direct control of stores and equipment must verify these items quarterly and any surpluses/deficiencies which determined must be reported to the supervisors, in writing. Nil returns must be submitted, if applicable

20.6.1.4 General information on asset records

Personal asset record

- a. A list of all personal asset records must be kept by the official verification clerk.

Serialised items

- b. Safes and all serialised items must be issued to a normal asset record. Upon issuing serialised items, the serial number must be noted on the issue voucher. Computers, cellular phones and other accessories may be issued to officials on his/her personal asset record.

Marking

- c. All equipment on asset records should be marked with the municipal ownership mark.

Transfer procedures

- d. If an item on asset record is no longer required, it may be issued to another asset record.

20.6.2 Purpose of holding inventory

20.6.2.1 Inventory serves four (4) purposes within the municipality:

- a. It enables the municipality to achieve economies of scale.
- b. It balances supply and demand.
- c. It provides protection from uncertainties in demand and order cycle.
- d. It acts as a buffer between critical interfaces within the channel of distribution.

20.6.3 Types of inventory

- a. Inventories can be categorised into the following types:

20.6.3.1 Cycle stock

- a. Cycle stock is inventory that results from the replenishment process (acquisition management) and is required in order to meet demand under conditions of certainty.

20.6.3.2 In-transit inventories

- a. In-transit inventories are items that are en route from the supplier to the end-user.

20.6.3.3 Safety stock

- a. Safety stock is held in excess of cycle stock because of uncertainty in demand or lead time.

20.6.3.4 Dead stock

- a. Dead stock is the set of items for which no demand has been registered for some period of time.

20.6.4 Inventory management under conditions of uncertainty

20.6.4.1 Economic order quantity (EOQ)

- a. The economic order quantity model may be used to minimise the total of inventory carrying and ordering costs. By determining the EOQ and dividing the annual demand by it, the frequency and size of the order that will minimise the two costs are identified.

20.6.5 Inventory management under uncertainty

- a. The uncertainties associated with demand and lead time cause the logistics manager to concentrate on when to order rather than on the order quantity. The following two methods may be used for inventory control under conditions of uncertainty:

Fixed order point, fixed order quantity methods

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

Fixed order interval method

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

20.6.6 Setting of inventory levels

20.6.6.1 Inventory levels

- a. The cost of carrying inventory is very high. In instances where stock should be held in store, the inventory levels must be determined with care.
- b. In setting inventory levels the following have to be determined:
 - i. Maximum levels.
 - ii. Minimum levels.
 - iii. Reorder point.
 - iv. Safety stock.
- c. When to order is solved by determining the reorder point or minimum level. The reorder point is the minimum amount needed for demand during replenishment time (lead time).
- d. The re-order point is the daily demand times the replenishment time.
- e. There are other factors that could have an effect on lead or replenishment time, for example:
 - i. Transit times.
 - ii. If an item has to be produced or manufactured when ordered.
 - iii. Goods being damaged or lost in transit.
- f. To provide for these factors it is necessary to have safety stock. It is however important not to keep too much safety stock on hand because it results in excess inventory cost.
- g. The difference between the maximum level and the reorder point is equal to the economic order quantity. The reorder point equals the minimum level plus the safety stock.

20.6.6.2 Calculating safety stock

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

20.6.6.3 Calculating fill rates

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

20.6.7 Managing inventory carrying costs

- a. The municipality should determine its own logistics costs and strive to minimise the total of these costs, given its customer service objectives.
- b. Inventory carrying costs should include only those costs that vary with the quantity of inventory and that can be categorised into the following groups:
 - i. Capital costs.
 - ii. Inventory service costs.

- iii. Storage space costs.
- iv. Inventory risk costs.
- c. The following two (2) methods of accounting for inventory may be used to ensure effective shelf life management:
 - i. First-in, first out (FIFO)
 - Stock acquired earliest is assumed to be used first, leaving stock acquired more recently in inventory.
 - i. Last-in, first out (LIFO)
 - The most recently acquired stock is issued first, leaving items acquired in the earliest time period in inventory.

20.6.8 Forecasting

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

20.6.9 ABC-analysis

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

20.6.10 Losses/Surpluses

- a. The accounting officer should ensure that, among others, the following preventative mechanisms are in place to eliminate theft, losses, wastage and misuse of assets:
 - i. all damages to and losses of assets be accounted for;
 - ii. damages and losses be investigated with a view to possible recovery; and
 - iii. surpluses are taken on record as assets immediately.

20.7 Transit

- a. Goods in transit must at all times be dealt with in accordance with this procedure manual.

20.7.1 Role of transit

- a. Transit is the function of the receipt/issue, initiation of accounting and distribution of all goods received into or issued from the municipality. The receipt of services cannot be managed by Transit. Service managers (such as security) are responsible to carry out inspections and verify documentation for correctness. They will be responsible to submit the relevant receipt documentation to Transit for the construction of receipt vouchers and the submission of source documents for payment and accounting purposes.
- b. Transit must be an independent section, performing specific functions on behalf of the municipality where use is made of formal stores. It would consist of a designated area where goods will be stored whilst in the process of completion of receipt/issue documentation for goods destined for, or leaving the municipality.

20.7.2 Transit functions

- a. The functions for transit are as follows:
 - i. The receipt and management of contracts.
 - ii. Reporting of all discrepancies in terms of late delivery, incorrect quantities and quality.
 - iii. The recording and maintenance of expected delivery dates in a diary as specified in contracts.
 - iv. Initial receipt and inspection of goods in terms of quantities.
 - v. Inspection of goods in terms of contract specifications (use must also be made of specialists in the event of specialised items such as computers, vehicles or equipment).
 - vi. Management of loss control processes in the event of damaged goods or short receipt. This must include claims against suppliers or carriers.
 - vii. Submission of payment documentation.
 - viii. Maintenance of accounting documentation (receipt and issue vouchers) and registers as prescribed.
 - ix. Safekeeping of goods whilst in transit.
 - x. Proper packing and preservation.
 - xi. Internal and external distribution of goods.
 - xii. Control over stores moving equipment such as forklifts and vehicles.

20.8 Stores/ Warehouse Management

- a. Store management must at all times take place in accordance with this procedure manual.

20.8.1 General management of a store/warehouse

- a. The role of a store in the logistics system is as follows:

Consolidation of transportation

- b. The store can fulfil a major role in the consolidation of smaller shipments into one large shipment, resulting in significant savings on cost of transport.

Mixing

- c. Stores can perform product mixing for different chief users.

Service

- d. The availability of goods in a store when receiving orders will invariably result in chief user satisfaction.

Contingencies

- e. Another role performed by stores is to safeguard against contingencies of various natures e.g. delays in transport, stock outs, strikes, etc.

8.2.2 Stores layout and design

Space

- a. The first step in determining storing space requirements is to forecast the demand for products. The next step is to convert the units into cubic meter requirements. Additional space will be needed for the following:
 - i. Space required for the receiving and shipping of goods.
 - ii. Area to be used for the selection of goods for an order and the assembling thereof.
 - iii. Area in which to salvage undamaged parts of damaged cartons.
 - iv. Office space required for administrative and clerical staff.
 - v. Miscellaneous space requirements for rest rooms, utilities and locker rooms.
 - vi. Space needed for aisles.

Layout principles

- b. Uses of one story facilities are recommended if possible.
- c. A straight line movement plan or direct flow of goods into and out of the store is recommended.
- d. The use of efficient materials handling equipment is essential.
- e. Make use of an effective storage plan.
- f. Keep aisle space to a minimum.
- g. Make maximum use of the height of the building.

General guidelines on the protection aspects of goods

- h. Hazardous material such as explosives, flammable items and oxidising items must be separated from other items to eliminate the possibility of damage.
- i. Products requiring special security precautions must be properly safeguarded against pilferage.
- j. Items requiring physical supervision such as refrigeration, heat, etc. must be properly accommodated according to their specific requirements.
- k. Lightweight or fragile items should be treated with all necessary precaution especially when stored or stocked near other items that could cause them damage.

Efficiency

- l. Items with a fast turnover should be stored in the most accessible areas.
- m. Large and bulky items which are difficult to handle may be stored near the shipping area to minimise handling time.
- n. If the load size is large compared to order size the commodity should be stored close to the shipping area to minimise handling.
- o. Specified floor loads should not be exceeded.
- p. Employ well trained personnel.
- q. Sufficient ventilation and lighting are essential.

20.8.2 Operational aspects in a store/warehouse

- a. The basic store operations consist of movement and storage.
 - i. Movement can be divided into four (4) distinct operations:
 - To take delivery of goods from transit.
 - Transfer of goods to a specific location.
 - Combination of specific goods on order.
 - Shipment of goods to chief user.
 - ii. The period of time of storage depends on the demands of the chief user.

20.8.2.1 Receiving stores

- a. Receive stores with receipt voucher from transit.
- b. Mark item with municipal ownership mark and place in bin or bin area.
- c. The bin maintenance must be done and the ledgers updated accordingly.

20.8.2.2 Issuing of stores

- a. The effective issuing of stores can only take place if a properly completed and approved requisition is submitted.
- b. An issue voucher is printed at the store.

20.8.2.3 Marking of municipality property

- a. All A-class accountable stores and equipment must be marked with the municipal property mark before being issued and leave the store.
- b. Upon disposal the municipal ownership mark must be cancelled.
- c. Stock that may be damaged by the marking process should not be marked and the case should be referred to the supply chain manager for a decision. Items that can be marked should not be marked in such a way as to shorten its durability or to render it unsightly.
- d. The municipal ownership mark must be applied in such a way as to make erasure thereof difficult.

20.8.2.4 Stacking

- a. A suitably qualified person should supervise all stacking.

20.8.2.5 Fire fighting

- a. Fire safety precautions include all precautionary measures taken in order to protect lives, preserve property and to prevent, locate and extinguish fires.

20.8.2.6 Control of store keys

- a. Duplicate keys should be readily available.
- b. Duties and powers must be delegated in writing.

20.8.2.7 Store types

- a. Inflammable stores must be stored so as not to endanger life and/or property.
- b. Stores of a dangerous nature must be stored apart from other stores and separately and out of reach of unauthorised persons.

20.8.2.8 Containers

- a. All containers (holders) in respect of which a refundable deposit has been paid must be accounted for.
- b. The accounting officer may authorise that any type of container or bag (plastic bags excluded) may be taken on charge, provided that it can be refunded or that it has a resale value.
- c. All poison containers, full, partially full or empty must be clearly labelled. Empty poison containers must be destroyed unless required for further issues of a similar type of poison.

20.9 Transport Management

- a. Transport management must at all times take place in accordance with this procedure manual.

20.9.1 Role of transport management

- a. Personnel and goods must be transported between various destinations to be able to execute their responsibilities.

20.9.2 Functions of transport management

- a. The following functions must be allocated to the transport office:
 - i. Optimisation of transport utilisation and allocation.
 - ii. Maintain records of the utilisation of vehicles.
 - iii. Maintain an authorisation procedure.
 - iv. Management of service provider contracts.
 - v. Management of service provider payments.
 - vi. Management of accounting for vehicles.
 - vii. Prevent misuse of vehicles.
 - viii. Management of punitive measures.
 - ix. Management of the registration of vehicles.
 - x. Manage the maintenance and servicing of vehicles.
 - xi. Management of the disposal of vehicles.
 - xii. Maintain general transport statistics.

20.9.3 The requisitioning, use and return of transport

20.9.3.1 Booking of vehicles

- a. Officials should book vehicles at least two days in advance by submitting a transport request form.
 - b. All vehicles should be issued on the day of travel unless advance authority to park the vehicle at home has been obtained.
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20.9.3.2 Trip authority register

- a. The register is completed from the details on the transport request form.

20.9.3.3 Trip authorisation

- a. A trip authorisation is filled in by the transport section.

20.9.3.4 License

- a. The driver must be in possession of a valid drivers licence.

20.9.3.5 Vehicle issue inspection

- a. The driver must inspect the vehicle to ensure that all equipment is there and in working condition. The equipment will remain the responsibility of the driver until such time as the vehicle is returned to the transport office. The physical condition of the vehicle/car must also be inspected for roadworthiness or damages.

20.9.3.6 Use of vehicle

- a. The driver must use the vehicle to perform his/her duties and within the limitations of the trip authority. All fuel receipts must be kept in safe custody during use of the vehicle.

20.9.3.7 Return of vehicle

- a. It is the responsibility of the driver to fill in the vehicle logbook legibly and accurately. The kilometres travelled must also be clearly indicated.

20.9.3.8 Vehicle return inspection

- a. The transport officer must inspect the vehicle for damages/deficiencies other than recorded before departure.

20.9.3.9 After hours use of vehicles

- a. When there is a requirement for early/late trips, an afterhours use request form must be submitted to the head of the department for approval. It must be ensured that safe parking will be available.

20.9.4 Tyres

- a. Vehicle tyres must be checked regularly for serviceability.

20.9.5 Misuse of transport

- a. The traffic department may impound vehicles if misuse is suspected.

20.9.6 Irregular, improper and unauthorised use

20.9.6.1 Action to be taken

- a. If municipal vehicles are used irregularly, driven recklessly, neglected or misused, the matter must be viewed in a serious light and disciplinary action against the offending official should be considered, apart from any proceedings that may be instituted in terms of the Road Traffic Act.

20.9.7 Suspension of officials from driving municipal vehicles

20.9.7.1 Causes for suspension

- a. When an official is suspected or proved guilty of irregular, improper or unauthorised use of municipal transport, he/she must immediately be suspended from driving a municipal vehicle. The suspension must remain in force until such time as the head of the relevant department has decided, in consultation with the accounting officer, to permit him/her to resume driving municipal vehicles. The transport section must be notified of all suspensions and lifting of suspensions to prevent the suspended driver from obtaining a pool vehicle.

20.9.8 General guide for the use of municipal transport

20.9.8.1 Official purposes

- a. Municipal vehicle fleets are provided strictly for official services and may not be used for private or other purposes without the necessary authority.

20.9.8.2 Official social functions

- a. An official having to attend a social function in an official capacity may use a municipal vehicle for conveyance. His/her spouse and/or, if necessary, other members of his/her household may also be conveyed.

20.9.8.3 Official passengers

- a. Passengers carried by a municipal vehicle must be authorised to travel in the vehicle. Family members can only be conveyed in a municipal vehicle if the head of division signing the trip authority has approved a prior application. Family members travel at their own risk and the municipality accepts no responsibility for them.

20.9.8.4 9.9.4 Unofficial passengers

- a. No unofficial passengers may be conveyed in the municipal vehicles without written authority from the head of the department concerned. Unofficial passengers include all persons whose conveyance in vehicles is not necessary for the execution of official duties. The picking up of casual passengers is not allowed under any circumstances. The driver of the vehicle will be held responsible for ensuring that unauthorised passengers are not conveyed.

20.9.8.5 Conveyance of luggage

- a. Official drivers and passengers may convey in municipal vehicles such personal luggage as required by them on the particular journey. Losses of or damage to such luggage must be dealt with as claims against the municipality.

20.9.8.6 Prohibition on private use

- a. The use of municipal vehicles for purposes such as proceeding home for meals, making social calls, taking relatives for outings and making detours for private purposes is not

permissible and a violation of the code of conduct. The AO expects every official or employee entrusted with the duty of operating or controlling municipal vehicles to ensure that such vehicles are neither used irregularly nor misused in any way.

20.9.8.7 Inspection

- a. All municipal vehicles are subject to inspection by duly authorised officials to ensure that the municipality maintains their transport in a proper state of repair and efficiency and that the required instructions are complied with.

20.9.9 General guide for the driving of municipal vehicles

20.9.9.1 Authority and licence

- a. No official or employee may drive a municipal vehicle unless he/she has been authorised to do so by an official of his/her department. The authorising official must have the necessary power to exercise such authority. The driver must be capable and properly licensed in terms of Regulation 239 of the Road Traffic Act (RTA) (Act No 29 of 1989), to drive the particular class of vehicle in which the vehicle under his/her control falls. Special attention is drawn to the fact that for certain types of vehicles a professional driver's permit must be obtained.

20.9.9.2 Physical disabilities

- a. Special attention is drawn to the provision of the RTA with regards to the duties of a driver in connection with the reporting of physical disabilities from which he/she may suffer or which he/she has sustained or developed after issue of a driver's licence. Cases where it is deemed necessary to modify the standard driving controls of a vehicle before a special driver's licence could be issued, must first be referred to the head of department for consideration in terms of Section 19 of the provisions of the RTA (Act No 29 of 1989).

20.9.10 Vehicle loads

20.9.10.1 Maximum load

- a. The load of any municipal vehicle must not exceed the maximum recommended by the manufacturer of the vehicle.

20.9.10.2 Safeguarding of load

- a. If a load is transported on or in a vehicle care should be taken that it will be properly safeguarded at all times in order to prevent any potential damage or loss.

20.9.11 Roadworthiness of vehicles

20.9.11.1 Vehicle condition

- a. The driver of a municipal vehicle must at all times ensure that the vehicle is in a roadworthy condition, with special emphasis in this regard on the steering, the brakes, the lights, the

wheel nuts, the condition of the tyres and safety belts. In this regard certain types of vehicles such as trucks must be tested regularly for a roadworthy certificate to be issued.

20.10 Channels of Distribution

- a. Goods must be physically moved or transported between the place they are produced and the place they are consumed. Channels of distribution develop when many exchanges take place between suppliers and consumers.
- b. The objective is to obtain optimum performance of the distribution channel at minimum total cost. In order to be successful, the supply chain manager must select the appropriate channel structure, choose the intermediaries to be used and establish procedures regarding channel members (i.e. organisational units responsible for warehousing, transport, etc.) and devise information and control systems to ensure that performance objectives are met.
- c. The advantages of a channel of distribution are:
 - i. Intermediaries (i.e. transit, stores) evolve in the process of exchange because 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).
 - ii. Intermediaries enable the adjustment of the discrepancy of assortments demanded by the end user, by performing the following functions:
 - Breaking down a heterogeneous supply into separate stocks that are relatively homogeneous.
 - Bringing similar stocks together into a larger homogeneous supply.
 - Breaking a homogeneous supply down into smaller and smaller parts.
 - Building up the assortment of products.
 - The cost of distribution can be minimised if transactions are routine. Channel cooperation and efficiency are improved by the routine handling of transaction.
 - iii. Intermediaries reduces some or all of the following costs:
 - Transportation costs (fewer but larger volume shipments).
 - Inventory carrying costs.
 - Storage costs.
 - Order processing costs.

20.11 Contract Administration

20.11.1 Managing the contract

- a. The Accounting Officer must take all reasonable steps to ensure that a contract or agreement procured through the SCM policy of Msukaligwa Local Municipality is properly enforced.
- b. Both the user department and the SCM unit have a responsibility towards managing a contract.

- c. The nature of the responsibility will determine who manages the specific contractual aspect.

20.11.2 Contract monitoring

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

20.11.3 Trademark/brand name

- a. If a bid is accepted for a particular trademark/brand name, that trademark/brand name must appear on the product and substitute products must not be accepted.

20.11.4 Non-contractual purchases

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

20.11.5 Over-/under deliveries

- a. Over- and under-deliveries may be accepted in accordance with the Accounting Officer's delegated powers.

20.11.6 Unsatisfactory performance

- a. Continuously communicate unsatisfactory performance to contractors in writing compelling the contractor to perform according to the contract and thus to rectify or to restrain from unacceptable actions.

20.11.7 Late deliveries

- a. The GCC states that delivery of supplies shall be made in accordance with the conditions specified in the contract.
- b. Before action due to late delivery is instituted against a contractor who has offered a firm delivery period, the circumstances under which the late delivery took place must be investigated. There may be valid reasons for the late delivery, which are beyond the control of the contractor, in which case action cannot be taken summarily against the contractor.
- c. On the other hand, contractors must not be allowed to delay deliveries repeatedly even where non-firm delivery periods have been offered. Wherever possible, firm delivery periods must be insisted upon before a bid is accepted, as well as when the issue of late deliveries crops up during the period of a contract.

20.12 Maintenance

- a. If no maintenance contract is available, petty cash or quotations may be used to maintain assets.
- b. When workshops repairs are required by the municipality the SCM Unit must arrange it with the relevant service providers.
- c. Before an item is sent to a workshop (service provider) for repair, transport costs to and from must be taken into consideration. In some cases it can prove more economical to have the item repaired locally, than to transport it over a long distance at high cost.
- d. Factors that must be taken into consideration when deciding on repairs, are as follows:
 - i. The cost involved (repair and transport cost).
 - ii. Compare the cost involved with the purchase price of a new item.
 - iii. The future serviceability of the repaired item.
- e. If, after due consideration of the above factors it appears that the item is beyond economical repair (BER), (i.e. it would be more economical to replace the item with a new one). The old item must not be repaired. The factors must be carefully evaluated before a decision is made, in order to avoid fruitless expenditure.
- f. All repair work that cannot be undertaken within a region, must be regarded as external work that must be carried out outside the region.
- g. The external requisition form is kept by the workshop manager and as soon as the items are required, serves as an authority for the repair thereof. The items are issued to the workshop by means of an external issue voucher.
- h. As far as possible, casual transport must be used to send reparable items to the workshop.

- i. After the repair work has been completed, the items are sent back to the point of origin and must be accounted for by completing an external receipt voucher.
- j. Additional requirements for external suppliers of services and repairs:
 - i. Repair workshops should be fully equipped for the type of work that it intends to perform. These workshops will be subjected to frequent inspections by workshop managers.
 - ii. The workshop manager will ensure that the supplier has the required qualified personnel in his employ to perform the work quoted for.
 - iii. Proof should be submitted of Liability Insurance and acceptable warranties must be offered on work performed.
 - iv. Safe workshop practices should be maintained and the OHS Act should be complied with.
 - v. The Manager: Mechanical Workshops would inspect premises frequently at any reasonable time to insure acceptable standards of work.
 - vi. A Workshop Manager, Foreman or Inspector will inspect work to be performed after stripping has taken place in order to approve work to be quoted upon. Spares to be replaced should be marked for later identification. Confirmation to proceed with work will be done on a fax after a faxed quotation has been received from the supplier. Work should not commence before confirmation has been received. All scrapped spares replace and marked during quotation will be sent back to the workshops at delivery where it will be reconciled with the order.
 - vii. No work will commence on any vehicle or equipment without requisition stating, "Strip, quote and wait for official order from workshop before repair."
 - viii. Supplier should have a facility to strip vehicles or equipment, as he would also have to re-assemble the vehicle or equipment in order to carry the full guarantee for work done and hence avoid blame if failure should happen.
 - ix. Suppliers will accept that stripping and quotation will be subject to "no cost" to MSUKALIGWA LOCAL MUNICIPALITY if the quote received is followed with an order to repair. In the instance that the quote is not accepted and order given to another supplier, the first supplier who stripped the vehicle or equipment will be entitled to a strip and quote order from MSUKALIGWA LOCAL MUNICIPALITY.
 - x. Suppliers must ensure that vehicles and equipment are secured at all times.
- k. Requisitions for spares and repairs
 - i. Requisitions to be completed by the Workshop Manager, Foreman or Inspector, for all purchases, whether it be spare parts or repairs done by outside suppliers after ensuring that parts and repairs are needed. Authorized requisitions to be handed back to the store manager or delegated person who would place the order on the accounting system.
- l. Orders for spares or repairs
 - i. All orders to be generated by a stores controller/clerk or delegated person. All orders to be authorized according to delegated authority.

ii. The store manager should place all orders with suppliers as per the following procedure:

- Quotations and general information for spares Where 3 (three) or more quotations are required, one of the quotations should be from the agents in order to be used as a competitive quote. All quotations are to be faxed to prove intent to deliver. The faxes should indicate immediate availability of spares, fixed price including VAT, description and manufactures name. Any deviation from the original spares should be stipulated on quotation.
- All quotations are to be attached to the delivery note and tax invoice. Reasons why it was decided to purchase from a specific supplier must be recorded on the documentation to make it easier for auditors to monitor and proof rotational purchasing from the database.

m. Quotations for spares

R1 to R2 000 (VAT included)	Petty cash procedure
R2 000 to R10 000	At least three written or verbal quotations are required, of which one will be from the agents. Lowest quote from the database will be accepted on a rotational basis, provided that the parts could be supplied immediately or within an acceptable time limit. Non-stock items will require the authorization of the Workshop Manager to purchase.
R 10 001 to R 200 000 (VAT included)	Three written price quotations are required, of which one will be from the agents. Lowest quote from the database will be accepted on a rotational basis, provided that the parts could be supplied immediately or within an acceptable time limit. Non-stock items will require the authorization of the Strategic Manager to purchase

n. Quotations for external repairs

i. All repairs done by outside contractors, suppliers or companies e.g.:

- Engine overhauls.
- Gearbox overhauls
- Radiators
- Prop shaft repairs
- Panel beating and spray painting
- Clutches
- Normal brakes

- Air brakes
 - CFO;S
 - Load testing certificates
 - Hydraulic repairs
 - Auto electrical repairs (Starters, alternators, wiring, etc.)
 - Body rebuilds
- ii. The order should read: “Strip, quote and wait for inspection and confirmation before repairs”.
- iii. Work will be rotated between suppliers approved for specific specialized jobs on the database. Where decisions are taken not to carry out the repairs as originally anticipated due to shortage of funds or other reasons, the vehicle or equipment will be secured and all spares retained till further notice. Whenever it is decided not to proceed with repairs, the vehicle or equipment will be removed with all spares back to the relevant service delivery centre mechanical workshop.
- iv. A monthly report should be provided to the cluster head for perusal as proof that rotation between suppliers is taking place.
- o. Bid
- i. For purchases of more than R 200 000 falling in the ambit of fleet management and mechanical engineering the standard bid procedures should be followed with specifications and recommendations prepared by fleet management for the cluster head who would present it to the Chief Procurement Officer for approval after which it will be presented to the bid adjudication committee for adjudication.
- p. Specifications
- i. The Fleet Manager will compile specifications for all new fleet, plant and equipment after consultation with the relevant departments to establish exactly what the function and application for the vehicle or plant would be. For capital purchases this will ensure that the correct fleet, plant and equipment will be purchased which will adhere to the prescribed safety regulations of the OHS Act and in the case of vehicles to the regulations of the Road Traffic Act.
- q. Invoices and payments
- i. The Workshop Manager must certify invoices for payment. Invoices must be attached to copy of the order, delivery note and quotation before sending to the Department Financial Services for payment. The Department Financial Services will pay on 30 days after invoice or as they may decide. In exceptional cases only, by special arrangement, the bill will be settled sooner with the necessary discounts taken.

21 **DISPOSAL MANAGEMENT**

21.1 System of Disposal Management

- a. The disposal management system must provide for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to Section 14 of the MFMA.

21.2 Obsolescence Planning

- a. In addressing obsolescence risks, it should be remembered that obsolescence in an item is not a problem for users until the item is required to be repaired or replaced. Action to eliminate the obsolete item need only be taken when the stock level threatens the availability of the equipment.
- b. For the period leading up to upgrades, in-service equipment will be managed to only maintain current capability and availability.
- c. Anticipating and solving obsolescence problems is considerably cheaper than waiting until later when major equipment redesign is called for and equipment availability is threatened. Requiring higher shorter-term costs, a policy of spend to- save needs therefore to be adopted.
- d. A proactive approach to the identification of potential obsolescence problems is therefore recommended, using a combination of risk assessment and supplier notification.
- e. Once identified, each obsolescence risk needs to be assessed to determine its criticality point. This is based on the impact of the risk to both capability and cost. What is crucial to the assessment of obsolescence risk is not the time at which a unit or component goes obsolete, but when as a result of the obsolescence, equipment availability will be threatened, the factors are:

21.2.1 Critical point

- a. This is the point in time at which availability of the equipment is threatened by lack of parts and/or spares, i.e. the point at which the risk goes critical. Identifying this point provides a benchmark against which all mitigation options can be considered.

21.2.2 Cost impact

- a. This is determined by the expected costs that would be incurred to solve the problem if no action is taken until the time of occurrence of the obsolescence.

21.2.3 Prioritisation

- a. Prioritise all current obsolescence risk by order of the point of criticality and in order of cost. The items can then be ranked in terms of risk, so that those items with the shortest time to threatened availability and the highest cost impact are most significant. The most critical will then need to be considered further for resolution of the specific problems.

- b. For each obsolescence risk, it needs to be decided what technology option must be adopted, the support which must be provided, the contracting arrangements needed, the maintenance policy which is implied and the identification of any consequential risks.
- c. Novel ideas for solving obsolescence should be considered. Items such as requirements relaxation, revised supply chain support, maintenance strategies and contracting arrangements need to be visited to find the most appropriate arrangements, almost on a case-by-case basis.
- d. Whatever techniques are chosen for managing obsolescence, solid configuration management and well disciplined change control procedures must be employed in order to ensure that a correct picture is available of the current equipment situation and of all the configuration options which are available for implementation.

21.3 Renewal Planning

- a. The asset renewal-planning phase involves the assessment of existing assets and planned acquisitions against service delivery requirements.
- b. The evaluation of existing assets determines whether their performance is adequate to support the selected service delivery strategy. This process presupposes that appropriate condition and performance standards are set for assets. Asset performance must be reviewed regularly against best practice benchmarks to identify assets that are under-performing, or costly to own or operate.
- c. The evaluation should reveal assets that provide more than their required capacity, or are surplus to requirements. Assets that have been inadequately maintained may pose potential safety or health risks, disrupt essential services, or incur unforeseen expenditure for the correction of defects. Replacement may be a possible option in this case.
- d. All assets currently being used to deliver the service under consideration need to be identified and registered. How effectively these assets support service requirements also have to be determined. As part of this process, assets should be evaluated in terms of their:

21.3.1 Physical condition

- a. Is the asset adequately maintained?
- b. Are major replacements or refurbishments likely to be required during the planning period?

21.3.2 Functionality

- a. How well suited is the asset to the activities and functions it supports?

21.3.3 Utilisation

- a. How intensively is the asset used?
- b. Could it be used more productively or accommodating additional functions?

21.3.4 Financial performance

- a. Are the assets' operating costs similar to those for other comparable assets?
- b. The assessment of existing assets must include those assets in the process of being acquired or that are committed. The result of evaluating existing and anticipated new assets is a list of assets available, or expected to be available. At the strategic level, planning will provide a comparison between the assets required to support programme delivery and those assets currently available and/or programmed for acquisition. In this manner the municipality is able to identify:
 - i. Existing assets that are required and are presently capable of servicing programme delivery needs.
 - ii. Existing assets that are required but are below the necessary standard and need refurbishment.
 - iii. Assets that are surplus to programme delivery needs and can be disposed of.
 - iv. Assets that must be acquired to meet programme delivery needs.

21.4 Disposal Decision

- a. To make a disposal decision, the following documents are important:
 - i. The obsolescence plan.
 - ii. The renewal plan.
 - iii. The list of unserviceable items.
 - iv. The list of obsolete items.
 - v. The list of redundant items.
- b. The following guidelines are provided to help Msukaligwa Local Municipality to dispose of their assets in an accountable manner:
 - i. Establish and maintain an asset information system that records all relevant information, on assets in disposal management.
 - ii. Prepare and evaluate proper costing to support the selection of the most cost effective disposal method.
 - iii. Identify those areas most susceptible to fraud or risks, and introduce appropriate preventive measures.
 - iv. Identify and communicate the preferred arrangements for disposals to relevant staff.
 - v. Engage experts to develop the terms of contract and to assist in preparing the contract to minimise the exposure to risk.
 - vi. Provide clear instructions to the agent engaged to undertake the disposal.
 - vii. Monitor and evaluate disposal performance regularly for achievement, fair dealing, and cost-effective choice of disposal methods and for compliance with the institution's disposal policies and objectives.

21.5 Disposal Strategy

- a. A disposal strategy establishes the rationale for, the anticipated time and method of, and the expected proceeds on, disposal. The strategy is reviewed and refined, if necessary, prior to disposal, to take the following into account:
 - i. The market and physical condition of the assets.
 - ii. Under-utilised and under-performing assets are identified as part of a regular, systematic review process.
 - iii. The reasons for under-utilisation or poor performance are critically examined and corrective action taken to remedy the situation or a disposal decision is made.
 - iv. Analysis of disposal methods has regard to potential market or other intrinsic values the location and volume of assets to be disposed of, the ability to support other programmes, environmental implications and regular evaluation of disposal performance.
 - v. Effective management of the disposal process will minimise holdings of surplus and under-performing assets and will maximise the return of such assets.

21.6 Alternatives to Disposal

- a. Where assets have been identified as under-performing, or no longer functionally suited to programme delivery needs, consideration should be given to the following possible alternatives to disposal:
 - i. A factor to consider is whether utilisation can be increased by adapting the asset to another function or using it in another programme.
 - ii. Refurbishment or an upgrade of the asset may also be viable. The cost and benefit of such alternatives should be included in the disposal plan.

21.7 Methods of Disposal

- a. Before deciding on a particular disposal method, the following matters should be considered:
 - i. The nature of the asset.
 - ii. Its potential market value.
 - iii. Other intrinsic value of the asset.
 - iv. Its location.
 - v. Its volume.
 - vi. Its trade-in value.
 - vii. Its ability to support other programmes.
 - viii. Environmental considerations.
 - ix. Market conditions.

- x. The asset's lifetime.
- b. The primary methods of disposal include selling per price quotation, competitive bids or auction; whichever is most advantageous to Msukaligwa Local Municipality, unless determined otherwise by the National Treasury. Requirements as prescribed in Regulations 5 and 6 of the Preferential Procurement Regulations, 2001, should be adhered to.
- c. Other methods of disposal may include:
 - i. Transfer to another institution in terms of the MFMA.
 - ii. Transfer to another institution at market related value.
 - iii. Transfer to another institution free of charge, bearing in mind the assets cannot be transferred to a sub-office, school, etc. without the approval of the head office of the institution under which jurisdiction such sub-office, school, etc. falls.
 - iv. Destroying such assets.
 - v. Sale to another entity.
 - vi. Letting to another entity.
 - vii. Sale to staff.
 - viii. Trade-in.
 - ix. Alternative use.
 - x. Rental.
 - xi. Sale and leaseback of redundant items.
- d. Professional valuations play an important role in asset disposal. It may help managers to select the most appropriate selling method. It also helps to set realistic expectations for the sale. If it is required, valuations must be obtained from experienced agents who have knowledge of the type of asset(s) for sale and the current market trends.
- e. The SCM Unit must in relation to the sale or other disposal methods of assets, ensure that:
 - i. Bid documentation comply with the criteria prescribed in terms of the PPPFA.
 - ii. Immovable property is sold at market related prices, unless the National Treasury determines otherwise.
 - iii. Movable assets are sold either by way of a bidding process, auction or at market related prices, whichever is the most advantageous to Msukaligwa Local Municipality.
 - iv. At the very least, a comparison of the actual timing and proceeds on disposal should be made with the standard established for the specific class in Msukaligwa Local Municipality's accounting policies. This is a means of confirming that the useful life, estimated proceeds, and therefore the depreciation rates used, are valid. It also provides the opportunity to identify causes where assets are routinely not meeting the service life expectations or their estimated proceeds on disposal.
 - v. In addition to undertaking the cost-benefit analysis of the methods of disposal, the SCM Unit will be required to compare actual life at disposal with the expected useful life and to explain significant variations.

21.7.1 Disposal of capital assets

- a. Msukaligwa Local Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanent dispose of a capital asset needed to provide the minimum level of basic municipal services.
- b. Msukaligwa Local Municipality may transfer ownership or otherwise dispose of a capital asset other than one mentioned above, only after the Municipal Council, in a meeting open to the public:
 - i. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.
 - ii. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- c. A decision by the Council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed after that asset has been sold, transferred or otherwise disposed of.
- d. Any transfer of ownership of a capital asset must be fair, equitable, transparent, competitive and consistent with the supply chain management policy of Msukaligwa Local Municipality.
- e. This section does not apply to the transfer of a capital asset to another municipality or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.

21.8 Disposal procedure

- a. As soon as it has been established that stores/equipment livestock/victuals/medicine are unserviceable, obsolete, and redundant or expired, and that it should be disposed of, the following procedures are applicable:
 - i. All unserviceable, obsolete, redundant or expired stores/equipment livestock/victuals/medicine are reported to the SCM Unit by means of a memorandum. The memorandum may contain the following information:
 - A description of the item.
 - The quantity/volume/mass of the items.
 - The condition of the items.
 - A motivation as to why the items are regarded as unserviceable, obsolete or redundant.
 - ii. At the receipt of such a memorandum, the SCM Unit or delegate must inspect the items, to determine their condition.
 - iii. It is the responsibility of the SCM Unit to determine the various options of disposal available in respect of each of the items, and to decide whether the items need to be distributed or repaired before the disposal process takes effect. During this evaluation

process the full financial implications of disposing the items must be taken into consideration.

- iv. Once the decision is made to dispose of items, the disposal process dictates different procedures for obsolete or redundant items and unserviceable items.

21.8.1 Procedure in respect of obsolete and redundant items

- a. A schedule must be completed in respect of redundant and obsolete items that have been identified for possible distribution, also indicating clearly the condition of such items. Care must be taken when distributing items, also indicating clearly the condition of such items. Care must be taken to distinguish between new items, serviceable items and repairable items.
- b. The SCM Unit will use the information to initiate an internal circular indicating the items available for distribution as well as the condition of such items.
- c. If an official has a need for one of the indicated items, the item must be requested using the applicable procedure.
- d. If there are still items available for distribution it can be offered to other municipalities or government institutions.
- e. If there are still items available after a specified time, then it must be transferred from the schedule to a disposal certificate.

21.8.2 Procedure in respect of unserviceable items

- a. Unserviceable items can be divided in two categories, namely:
 - i. Unserviceable stores.
 - ii. Unserviceable equipment.
- b. The unserviceable stores and equipment are to be transferred from the relevant accounting system to the disposal certificate.
- c. All items identified for disposal should be transferred to a disposal store. Inventory controllers must ensure that the item that may be disposed of is kept in its original form. Should an item not be in its original form an investigation into the possibility of malicious damage must be instituted. In such cases, the damage is dealt with as a loss and the items may, therefore not be disposed of.
- d. Separate disposal certificate should be completed for:
 - i. Obsolete/redundant/stores/equipment.
 - ii. Unserviceable stores/equipment.

21.8.3 Completion of a disposal certificate

- a. In completion of a disposal certificate, the following information is essential:
 - i. Name of the office.

- ii. File number.
 - iii. Date on which the disposal was requested.
 - iv. Description of the item.
 - v. The quantity.
 - vi. Recommendation by the Disposal Committee.
 - vii. If applicable, a destruction certificate must be signed by a specialist after the items have been destroyed.
 - viii. After all members of the Disposal Committee have signed and dated the disposal certificate, the disposal certificate is forwarded to the Accounting Officer for ratification. All relevant documentation must be attached to the disposal certificate.
 - ix. It is the responsibility of the Accounting Officer to consider and approve the recommendations of the disposal committee. Should the Accounting Officer not concur with the recommendations, the disposal certificate is referred back to the chairperson of the disposal committee.
- b. Should the Accounting Officer concur with the recommendations, he/she ratifies the decision made by the disposal committee. The recommendations can now be executed by the SCM Unit.

21.8.4 General

- a. With regard to labour saving devices, computers and machinery, the following additional information is included as an annexure to the disposal certificate:
 - i. Description of the item.
 - ii. Serial number.
 - iii. Record number.
 - iv. Registration number.
 - v. Odometer/hour meter reading.
 - vi. Estimated value.
 - vii. Estimated repair cost.
 - viii. Tentative selling price.
 - ix. Serviceable/recoverable spares.
 - x. Where the equipment was used.
 - xi. If the equipment is to be replaced, are sufficient funds available for a replacement?
 - xii. Reasons for beyond economic repair (BER) classification.
 - xiii. Has a technical report been compiled?
 - xiv. Who compiled the technical report?

- b. When a doctor/pharmacist declares victuals and medicine unfit for human consumption or when medicine reaches its expiry date, the following additional information must be furnished:
 - i. Commodity details.
 - ii. Drug classification.
 - iii. Delivery period of medicine.
 - iv. Minimum days and quantity as reflected on stock registers.
 - v. Maximum days and quantity of item.
 - vi. Date when items were purchased.
 - vii. Balance in stock.
 - viii. Date when item/s was/were received.
 - ix. Cause of perishing.
 - x. Value of the medicines that need disposal.
- c. The Disposal Certificate and the Destruction Certificate are counter signed by the doctor/veterinary surgeon.

21.8.5 Disposal register

- a. The SCM Unit must maintain a disposal register of all disposed items. The following information must be included in the disposal register:
 - i. Date on which disposal was requested.
 - ii. Sequence serial number of convening.
 - iii. Date of physical inspection by the disposal committee.
 - iv. Date the disposal certificate was submitted and approved by the Accounting Officer.
 - v. Actual data of physical disposal of item(s).
 - vi. Description of the disposed item (asset number if applicable).
 - vii. Reason for disposal.
 - viii. Disposal method applied.
 - ix. Book value of item at disposal date.
 - x. Income generated from disposal if applicable.
 - xi. Detail of person/institution that the item was sold/given to where applicable.

22 RECORDING, REPORTING AND SUPPLY CHAIN PERFORMANCE MEASUREMENT

22.1 Introduction

22.1.1 Defining performance management

- a. Performance management is a pro-active and re-active (retrospective) process of determining whether objectives and the broader government and Msukaligwa Local Municipality strategic and operational goals are being met. As such it serves as a management tool.
- b. Since the SCM System is an integral part in achieving these objectives, it is necessary that recording, reporting and performance measurement regarding the SCM system must take place. It is therefore essential that Msukaligwa Local Municipality must establish a system as illustrated and explained in more detail hereunder.

22.1.1.1 Gathering of information/determining criteria

- a. In terms of legislation, various role players have determined that they require certain information so as to determine the implementation and progress made by institutions regarding the SCM system. Msukaligwa Local Municipality is therefore compelled to ensure the continuous gathering and recording of this information to satisfy the requirement. In certain cases, the criteria to be used in determining progress must be compiled and updated at regular intervals. Steps must then be taken within Msukaligwa Local Municipality to ensure that this system is implemented.

22.1.1.2 Management Information

- a. From the gathered information the prescribed external and internal management reports must be compiled and distributed.

22.1.1.3 Performance Measurement

- a. The SCM Unit is responsible to measure Msukaligwa Local Municipality's progress regarding the achievement of the goals by using the pre-determined criteria. The results of this measurement must then be included in external and internal reports as prescribed.

22.2 Record Keeping

22.2.1 Achieving of predetermined targets

- a. Msukaligwa Local Municipality must gather as much information as possible on a continuous basis to adapt to the changing environment and Government's reporting requirements pertaining to SCM.
- b. Keeping complete records pertaining to SCM will assist Msukaligwa Local Municipality in their performance monitoring and reporting role.

- c. Apart from records, Msukaligwa Local Municipality should also maintain a proper filing system per case.

22.2.2 Record keeping structure

- a. The necessary information, to satisfy the internal and external reporting requirements, must be kept in an orderly manner. The gathering of information and recording system must provide for the type of information required, deadlines and the allocation of duties and responsibilities.
- b. Please note that record keeping does not replace the normal filing system that contains the hard copy of each case.
- c. The necessary records may be maintained either manually or electronically and does not have to be a formal register. As such a list or spreadsheet will suffice. Information may be incorporated into a single record where possible. The consolidation of the required returns and forwarding thereof must be allocated to the responsible person or section.

22.2.3 Records to be kept

22.2.3.1 Record of verbal and written quotations and formal written quotations

- a. Verbal and written quotations:
 - i. Date of the request received by the SCM Unit.
 - ii. Particulars of end-user, contact person and telephone number.
 - iii. Registration number of the provider where applicable.
 - iv. Names and contact details of accredited prospective providers contacted.
 - v. BEE categorisation status and HDI status
 - vi. Price of quotes received.
 - vii. Name of the successful provider.
 - viii. Date of approval and the name and rank of the person/s that granted the approval.
 - ix. Delegation number, if applicable.
 - x. Satisfactory/non-satisfactory completion of the service or delivery of the goods.
 - xi. Rotation indicator on list of accredited prospective providers.
 - xii. All inscriptions must be numbered.
 - xiii. Formal written price quotations
 - xiv. Date of the request received by the SCM Unit.
 - xv. Particulars of end-user, contact person and telephone number.
 - xvi. Requisition number.
 - xvii. Description of the requirement.

- xviii. Estimated value of the requirement.
- xix. Registration number of the provider where applicable.
- xx. Names and contact details of accredited prospective providers contacted.
- xxi. BEE categorisation status and HDI status.
- xxii. Extended validity period.
- xxiii. Total number of bids received.
- xxiv. Late bids received, where applicable.
- xxv. Name of successful bidder.
- xxvi. Tax clearance certificate.
- xxvii. Price of the successful bid.
- xxviii. Points of the successful bid, received for price, functionality, equity and goals are to be indicated separately.
- xxix. BEE categorisation status and HDI status.
- xxx. Total points scored by the successful bidder.
- xxxi. Date of approval and the name of the body that granted the approval.
- xxxii. Delegation number, if applicable.
- xxxiii. Date contract form is signed.
- xxxiv. Satisfactory/non-satisfactory completion of the service or delivery of the goods.
- xxxv. Cancellation of bid or the cancellation of contracts, where applicable. Particulars must include the reason for the cancellation, the date of approval, the name and rank of the person/body that granted the approval and the delegation number.
- xxxvi. All inscriptions must be numbered.

22.2.3.2 Record of Specific Term Contracts

- i. Bid number.
- ii. Description of the requirement.
- iii. Names of bidders received.
- iv. Contract term.
- v. Particulars of end-user, contract person and telephone number.
- vi. Date of advertisement.
- vii. Date of advertisement for the extension of the closing date.
- viii. Closing date.
- ix. Extended closing date.
- x. Validity period.

- xi. Extended validity period.
- xii. Total of bids received.
- xiii. Late bids received, where applicable.
- xiv. Name of successful bidder.
- xv. Tax clearance certificate.
- xvi. Price of the successful bid.
- xvii. Points of the successful bid, received for price, functionality, equity and goals are to be indicated separately.
- xviii. BEE categorisation status and HDI status.
- xix. Total points scored by the successful bidder.
- xx. Date of approval and the name of the body that granted the approval.
- xxi. Delegation number.
- xxii. Date of contract form signed.
- xxiii. Satisfactory/non-satisfactory completion of the service or delivery of the goods.
- xxiv. Cancellation of bid or the cancellation of contracts, where applicable. Particulars are to include the reason for the cancellation, the date of approval, the name and rank of the person/body that granted the approval and the delegation number.
- xxv. All inscriptions must be numbered.

22.2.3.3 List of bids received

- i. Bid number.
- ii. Closing date.
- iii. Names of bids received.

22.2.3.4 Record/file of Case History

- i. Date of request received.
- ii. Reference number.
- iii. Description.
- iv. Name of sender.
- v. Contact person and telephone number.
- vi. Estimated financial implication.
- vii. Dates and actions taken, indicating the name of the responsible person/body to whom the request has been referred/submitted to.
- viii. Date of approval received where applicable.
- ix. Date of finalization.

22.2.3.5 Record of deviation processes

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

22.2.3.6 Record of complaints received from bidders or contractors

- i. Date of complaint received.
- ii. Name of company or person complaining.
- iii. Reference of bid number.
- iv. Description.
- v. Details of complaint.
- vi. Action taken including the relevant dates.
- vii. Date of finalisation.
- viii. All inscriptions must be numbered.

22.2.3.7 Record of declaration of interest

- i. Name of official or member that has an interest to declare.
- ii. Nature of the interest declared.

22.2.3.8 Record of gifts received

- i. Name of official that received the gift.
- ii. Description of the gift.
- iii. Estimated value of the gift.
- iv. Name of person or organisation that presented the gift.
- v. Pages must be numbered.

- vi. This record must preferably be in hard copy format.

22.2.3.9 Record of instances of fraud or corruption

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

22.2.3.10 Record of irregular, fruitless and wasteful expenditure

- i. Date of request received.
- ii. Description.
- iii. Particulars of end-user, contact person and telephone number.
- iv. Details of irregular, fruitless and wasteful expenditure.
- v. Action taken.
- vi. Date finalised.
- vii. Financial implication.
- viii. All inscriptions must be numbered.

22.2.3.11 Record of circulars distributed within Msukaligwa Local Municipality

- i. Circular number.
 - ii. Description.
 - iii. Date on which the circular was distributed to end-users.
 - iv. Date of confirmation of receipt of the circular.
 - v. All inscriptions must be numbered.
- a. Please note that the keeping of records should not be a cumbersome process, but is a tool to be used by Msukaligwa Local Municipality as needed. Where possible, as much information pertaining to several records may be contained in one record.

22.3 Ad Hoc Reporting Obligations

- a. If the Accounting Officer is unable to comply with any of the responsibilities in terms of the MFMA, he or she must promptly report the inability, together with reasons, to the Council
- b. The Accounting Officer of Msukaligwa Local Municipality must report any deviations between this SCM Manual and the guideline standard to the Council, National Treasury and the Provincial Treasury.
- c. If Msukaligwa Local Municipality procures goods or services as contemplated in section 110(2) of the MFMA, they must make public the fact that it procures such goods or services otherwise than through its supply chain management system, including:

- i. The kind of goods or service.
- ii. The name of the supplier.
- d. If a bid other than the one recommended in the normal course of implementing the SCM policy is approved, the Accounting Officer must within 10 working days, in writing, notify the Auditor-General, Provincial Treasury, the National Treasury, of the reasons for deviating from such recommendation.
- e. If Msukaligwa Local Municipality disagrees with comments from SITA in terms of MFMA Regulation 31(4), the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, Provincial Treasury and the Auditor-General.
- f. The Accounting Officer must record the reasons for any deviations from the procurement processes and report it to the next meeting of the Council.
- g. If Msukaligwa Local Municipality decides to consider an unsolicited bid, Msukaligwa Local Municipality must make its decision public and once Msukaligwa Local Municipality has received written comments on this issue, it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the Provincial Treasury for comment.
 - i. If any recommendation of the National Treasury or the Provincial Treasury is rejected, the Accounting Officer must submit within seven days, to the Auditor- General, the Provincial Treasury and the National Treasury the reasons for rejection or not following those recommendations.
- h. The Accounting Officer must inform the National Treasury and the Provincial Treasury in writing of any actions taken in terms of MFMA Regulation 38(1) (b) (ii), (e) or (f) (system abuse, fraud and corruption and contract cancellation).
- i. Officials or role players must report to the Accounting Officer any alleged irregular conduct in the SCM system which that person may become aware of, including:
 - i. Any alleged fraud, corruption, favouritism or unfair conduct.
 - ii. Any alleged contravention of MFMA regulation 47(1) (gifts/rewards).
 - iii. Any alleged breach of the code of ethical standards.
- j. The Accounting Officer must promptly report any alleged contravention of MFMA Regulation 47(1) and (2) to the National Treasury.
- k. The Accounting Officer must promptly disclose to the National Treasury and Provincial Treasury any sponsorship promised, offered or granted to Msukaligwa Local Municipality.
- l. On discovery of any irregular expenditure or any fruitless and wasteful expenditure, the Accounting Officer must inform the Council, who must promptly report, in writing, to the Auditor-General:
 - i. Particulars of the expenditure.
 - ii. Any steps that have been taken:
 - To recover the expenditure.

- To prevent a recurrence of the expenditure.
- iii. The Council must promptly report to the SAPS any:
 - Irregular expenditure that may constitute a criminal offence.
 - Other losses suffered by Msukaligwa Local Municipality that resulted from suspected criminal conduct.

22.4 Contracts Reporting Questionnaire: National Treasury

- a. The reporting questionnaire must be submitted for all contracts within 15 days of the end of each month for that month.
- b. It is also recommended that the reporting questionnaire should be completed as and when each contract is concluded in order to ease the workload that may result if it is completed only at the end of the relevant month.
- c. The information will be audited by the Auditor-General to monitor compliance.

22.5 Information to Be Disseminated To the Ward Councillor

- a. The Accounting Officer or delegate must publish the entries in the bid register and the bid results on Msukaligwa Local Municipality's website.
- b. Any requirements in excess of R30 000 (VAT included), and to be procured by means of formal written price quotations, must be advertised additionally for 7 days on the Msukaligwa Local Municipality website.
- c. Any invitation to prospective providers to submit bids must also be advertised on Msukaligwa Local Municipality's website.

22.6 Assessment/Measurement of Supply Chain Performance

- a. The Accounting Officer or delegate must report monthly to the Council of Msukaligwa Local Municipality on the following aspects:
 - i. Total procurement spends.
 - ii. Percentage of total spends directed towards BEE/HDI against target.
 - iii. Percentage of total spends directed towards SMME's against target.
 - iv. Targeted percentage spends to be directed towards BEE/HDI and SMME.
 - v. All declarations of interest must be made to the Council.
 - vi. Process disputes.
 - vii. Unsolicited bids considered and accepted with consent of other role players.
 - viii. The Accounting Officer must, on a monthly basis report to the Council on the management of contracts or agreements and the performance of the relevant contractors.

- b. An official or Bid Adjudication Committee to which the power to make final awards has been sub-delegated must within five days of the end of each month submit to the official referred to in MFMA Regulation 5(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.
 - iii. The reason why the award was made to that person.
- c. A written report referred to in MFMA Regulation 5(3) must be submitted:
 - i. To the accounting officer, in the case of an award by:
 - The chief financial officer.
 - A Strategic Manager.
 - A Bid Adjudication Committee of which the chief financial officer or a Strategic Manager is a member.
 - ii. The chief financial officer or the Strategic Manager responsible for the relevant bid, in the case of an award by:
 - A manager referred to in MFMA Regulation 5(2) (c) (iii).
 - A Bid Adjudication Committee of which the chief financial officer or a Strategic Manager is not a member.
- d. MFMA Regulation 5(3) and (4) does not apply to procurement out of petty cash.
- e. Each manager must, however, forward a monthly reconciliation report to the CFO on petty cash purchases detailing at least:
 - i. Total amount of petty cash purchases for that specific month.
 - ii. Receipts and appropriate documents for each purchase.
- f. If it is not possible to obtain at least three formal written price quotations, the reasons must be recorded and approved by the CFO or an official designated by the CFO. The Accounting Officer or delegate must record the names of the potential providers and their written quotations. The official designated by the CFO must within three days of the end of each month report to the CFO on any approvals given during that month.
- g. The Accounting Officer or CFO must be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.
- h. The appointed person who deals with disputes, objections, complaints and queries must submit a report to the Accounting Officer on the status of these issues.

22.7 Quarterly Reporting

- a. The Accounting Officer must within 10 days after the end of each quarter submit implementation reports on the SCM policy to the Council.

- b. If it is not possible to obtain at least 3 written or verbal quotations, the reasons must be recorded and reported to the Accounting Officer or another official designated by the Accounting Officer.

22.8 Annual Reporting

- a. The Accounting Officer must at least annually, within 30 days of the end of the financial year, submit reports on the implementation of the SCM policy as contained in the SCM Manual to the Council.
- b. The Accounting Officer of Msukaligwa Local Municipality must at least annually review the implementation of the SCM policy as contained in the SCM Manual, inform the Council of its correctness and applicability and, if necessary; submit proposals for the amendment of the Manual to the Council.
- c. The notes to the annual financial statements of Msukaligwa Local Municipality must:
 - i. 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:
 - The name of that person.
 - The capacity in which that person is in the service of the state.
 - The amount of the award.
 - ii. Disclose the reasons for any deviations from the procurement processes.
 - iii. Disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditure that occurred during the financial year and whether these are recoverable.
 - iv. Disclose particulars of any criminal or disciplinary steps taken as a result of such losses or such irregular or fruitless and wasteful expenditures.
 - v. Disclose particulars of non-compliance with the MFMA from a SCM perspective.

22.9 Information to Be Disseminated To Ward Councillors

- a. The Accounting officer, through procurement section, must inform in writing the relevant ward councillor of the date, time and place of the site inspection that will be taking place in his/her ward immediately after the specification committee meeting in which the date of inspection was discussed.
- b. The relevant ward councillor to respond in writing the acknowledgement of the invitation to attend the site inspection or site visit.

22.10 Assessment/Measurement of Supply Chain Performance

22.10.1 Defining SCM performance measurement

- a. Supply chain performance is a monitoring process during which a retrospective analysis is undertaken to determine whether the prescribed SCM processes are being followed and whether the desired objectives are in the process of being achieved.
- b. SCM performance can be broken down into two categories of performance measurement:
 - i. Contractor assessment.
 - ii. Monitoring of the SCM policy and processes followed.

22.10.2 Contractor assessment

- a. Msukaligwa Local Municipality must ensure that the performance of all contractors is assessed during the period of the contract.
- b. At the completion stage of the project/contract, an assessment of the contractor must be undertaken and this assessment should be available for future reference.
- c. The reliability of the contractor should be monitored in terms of, among others:
 - i. Capacity and capability to deliver (delivery periods).
 - ii. Quality.
 - iii. Quantity.
 - iv. Attainment of objectives in line with the business case for the specific project.
- d. Other criteria determined by Msukaligwa Local Municipality (such as availability of facilities, reliability, flexibility, price, financial stability, response time, technical competence, creativity and innovation) should also be monitored.
- e. Contractors must be systematically monitored for performance against the same criteria as those used in the registration process for the provider list or the criteria set in the specification/terms of reference, where applicable. In other words was the contractor (chosen from a provider list or a bidding process) able to perform according to the contract conditions.
- f. When contractors do not perform according to the contractual obligations and Msukaligwa Local Municipality does not address the matter during the execution of the contract, such non-performance cannot be deemed as sound reasoning for passing over the bid of such supplier/service provider when evaluating future bids.
- g. It is important that all instances of breach of contract and the ensuing actions that were taken must be recorded in a prescribed format so that management information can be extracted for reporting purposes, as required.

22.10.3 Monitoring of the SCM policy and process

- a. The purpose of reporting is to effectively measure the achievement of government's procurement objectives and targets set. Therefore the Accounting Officer must determine whether the proper process has been followed and whether the desired objectives and targets have been achieved. Msukaligwa Local Municipality must be able to extract accurate commercial and other relevant information.
- b. The SCM office established in the National Treasury will monitor the implementation and supporting regulations and standards issued by the National Treasury, and the AO of Msukaligwa Local Municipality.
- c. On approval and finalisation of the alignment of the PPPFA and BBBEE Act and charters, the Accounting Officer should use the national procurement policy charters and targets to set their own short and medium term policy targets at the appropriate contract level, currently in line with the PPPFA.
- d. The use of a common scorecard by Msukaligwa Local Municipality will provide a basic framework against which to benchmark the same process in different Institutions. The scorecard also allows Institutions to align their own SCM practices and individual strategies. The scorecard facilitates the process of setting measurable targets for implementation plans and to highlight deficiencies to be attended to.
- e. All actions pertaining to the SCM function, with specific reference to the acquisition function, must be recorded continuously in order to:
 - i. Prove accountability.
 - ii. Gather management information to enable managers to:
 - Measure performance in terms of achievement of goals.
 - Measure compliance with norms and standards.
 - Determine savings generated.
 - Determine cost variance per item to indicate the premium paid for promoting preferential objectives.
 - Identify any breach of contract.
 - Determine cost efficiency of the acquisition process.
 - Determine whether SCM objectives are consistent with Government's broader policy focus.
 - That the principles of co-operative governance as expounded in the Constitution are observed.
 - That the reduction of regional economic disparities is promoted.
 - Stores efficiency.
 - iii. Assist managers in their planning and budgeting responsibilities.

23 PREFERENTIAL PROCUREMENT

23.1 Preference Point System

- a. The 80/20 preference points formula must be used to calculate the points for price in respect of acquisitioning with a Rand value equal to, or above R30 000, and up to a Rand value of R500 000 with a maximum number points for price or a combination of price and functionality of 80.
- b. The 90/10 preference points formula must be used to calculate the points for price in respect of acquisitioning with a Rand value above R500 000 in terms of legislation with a maximum number points for price or a combination of price and functionality of 90.
- c. A maximum of 20 or 10 points must be allocated for equity ownership according to the stipulations in the regulations. For contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals provided that the lowest acceptable bid scores 80 points for price or a combination of price and functionality.
- d. For contracts with a Rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals provided that the lowest acceptable bid scores 90 points for price or a combination of price and functionality.
- e. Any other acceptable quotations/bids that are higher in price must score fewer points on a pro rata basis, calculated on its prices in relation to the lowest acceptable quotation/bid in accordance with a prescribed formula.

23.2 Equity Ownership

- a. Equity ownership must be promoted through the bids equal to or above R30 000 (incl. VAT).
- b. Equity ownership may be promoted through bids which are lower than R30 000 (incl. VAT).
- c. Equity ownership must be promoted in line with the stipulations of the PPPFA.
- d. Where bidders bid in a consortium, the equity ownership of each party to the bid must be taken into consideration commensurate with the percentage of the bid that will be executed by the party to the bid.

23.3 RDP Objectives

- a. The specific activities that gives effect to the Proudly South African Campaign and which may be stipulated towards achieving specific goals as per section 17 of the Preferential Procurement Policy Regulations, are as follows:
 - i. The promotion of South African owned enterprises.
 - ii. The promotion of export orientated production to create jobs.
 - iii. The promotion of SMME's.
 - iv. The creation of new jobs or the intensification of labour absorption.

- v. The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province.
- vi. The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.
- vii. The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area.
- viii. The promotion of enterprises located in rural areas.
- ix. The empowerment of the workforce by standardising the level of skill and knowledge of workers.
- x. The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills.
- xi. The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations and charity organisations.
- xii. In addition to the above, National Treasury has also approved the promotion of locally manufactured products.

23.4 Application of the Preferences

- a. A maximum number of 20 or 10 points depending on the contract value may be awarded to a bidder for being an HDI and/or subcontracting with an HDI and/or achieving any of the specified goals stipulated. The preference must be stipulated in the specification/TOR to be used as a final multiplier (a final weighting advantage) during the evaluation process.
- b. Should the relevant functionary however be of the opinion that specific goals must be achieved through the execution of the contract, the number of points to be allocated for specific goals must reduce the points allocated for equity ownership; the details of which must be included in the specification/TOR. The specific goals must be measurable and quantifiable and must be monitored in the execution of the contract.
- c. Critical factors (criteria) are the essential characteristics that the offer pertaining to the goods/services/works must possess. If an offer does not satisfy any of the critical factors (criteria), then it may be rejected immediately. This can also be referred to as minimum requirements. The capacity and ability to successfully complete a contract is a critical factor.
 - i. Discrimination factors (criteria) allow for trade-off between quotations/bids (for ones that meet critical factors).
- d. National Treasury has approved the following in connection with the evaluation process on a points system:

23.4.1 Evaluation of bids

- a. The PPPFA prescribes that the lowest acceptable bid must receive 80 or 90 points for price or a combination of price and functionality.
- b. A bid is regarded as acceptable if:

- i. It complies in all respects with the specification and conditions of the bid.
 - ii. The bidder completed and signed all the prescribed bid forms to enable the principal to evaluate the submitted bid.
 - iii. The bidder submitted the required original tax clearance certificate and other clearance/registration forms as prescribed by various acts and/or in the bid documentation.
 - iv. The bidder has the necessary capacity and ability to execute the contract.
 - v. The bidder's municipal rates and taxes and municipal services charges are in order.
- c. Bids may only be evaluated in accordance with the evaluation criteria stipulated in the bid documentation. When any bid is passed over or regarded as non-responsive, the reasons for passing over such bid must be defensible in any court of law. Examples in this regard may include negative banking reports, non-submission of tax clearance certificates, not having the necessary capacity and/or capability, being listed on the Register for Tender Defaulters, etc. Deviation by more than a predetermined percentage from the cost estimate of the project/commodity cannot be regarded as a justifiable reason for the rejection of a bid and has, therefore, not been approved as an evaluation norm by the National Treasury.

23.4.2 Calculation of points

- a. The price submitted by the lowest acceptable bidder must be used in the formula as the basis (Pmin) when calculating the points for price. The Preferential Procurement Regulations, 2001, provides for the calculation of points for price and functionality when functionality is regarded as an important evaluation criterion. In such cases the bidder who scored the highest points for price and functionality, must score 80 or 90 points, while other bidders should score lower points out of 80 or 90 on a pro-rata basis. Preference points for HDI involvement may not be included as part of functionality, but should be provided for separately as part of the 10 or 20 points allocated for specific goals.
- b. Should, during any stage of the evaluation and/or adjudication process, it becomes evident that the bidder who scored the highest number of points is an unacceptable or non-responsive bidder and this bidder also scored the highest points for price, the points scored by each bidder must be recalculated using the new lowest acceptable bidder's price as the basis (Pmin) for calculation purposes. Accounting Officer is not allowed to award the bid to the bidder next-in-line as this may lead to an incorrect award of the bid. Recalculation of the points may result in a different bidder, other than the one who was next-in-line, scoring the highest number of points.

