

# **RANDFONTEIN LOCAL MUNICIPALITY**



## **SUPPLY CHAIN MANAGEMENT POLICY**

## **PREAMBLE**

- (a) The Randfontein Local Municipality's Supply Chain Management Policy seeks to promote an innovative form of targeted procurement, which will encourage socio-economic transformation within its region. The Supply Chain Management Policy will empower the Randfontein Local Municipality to continue to redress the skewed distribution of wealth. The policy will also assist in achieving the goals of poverty alleviation and job creation within its region.
- (b) The policy will achieve the above by providing employment opportunities to Historically Disadvantaged Individuals [HDI's] and disadvantaged communities, enabling socioeconomic transformation objectives to be linked to fair, transparent, equitable, competitive and cost effective procurement practices.
- (c) The Preferential Procurement Policy Framework Act, 2000 and the Preferential Procurement Framework Regulations have been used as a legal framework for developing this Supply Chain Management Policy. The policy clarifies Supply Chain Management definitions, explains the accessibility of tendering information, the process of tendering, identifies control mechanisms and risk management strategies, defines sureties, clarifies the meaning of "break-out" procurement, addresses the issue of payment cycles, presents the Randfontein Local Municipality's tender approval system, identifies prerequisites for offering tenders and explains in detail the points scoring system.
- (d) The annexure to the policy contain appendices that are standard contract documentation, which must be completed by all consultants, contractors or any other service provider.
- (e) The guiding principles used in developing the Randfontein Local Municipality Supply Chain Management Policy were sourced from the following legislation:
  - The Constitution of the Republic South Africa, 1996.
  - The Preferential Procurement Policy Framework Act, 2000.

- Municipal Finance Management Act 56 of 2003
- Supply Chain Management Regulations
- Broad-Based Black Economic Empowerment Act No. 53 of 2003
- Municipal Systems Act 32 of 2000
- Construction Industry Development Board Act 38 of 2000

DRAFT

## 1. DEFINITIONS

- Agent:** means a person mandated by another person (“the principal”) to do business for and on behalf of, or to represent in a business transaction, the principal, and thereby acquire rights for the principal against an organ of state and incur obligations binding the principal in favor of an organ of state.
- “Act”** refers to the Municipal Finance Management Act 56 of 2003.
- Break-out Procurement:** **[packaging into smaller contracts]** The procurement of goods and services for any project of the Municipality may be obtained in the smallest possible quantities without incurring undue negative impacts on the quality, time and cost parameters of such goods and services.
- Comparative Price:** means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration.
- Consortium or Joint Venture:** means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity necessary for the execution of a contract
- Contract:** means the agreement that results from the acceptance of a tender by the Municipality.
- Control:** The possession and exercise of legal authority and power to manage the assets, goodwill and daily operations of a business and the active and continuous expertise of appropriate managerial authority and power in determining the policies and directing the operations of the business.

- Councillor:** means a member of a municipal council.
- 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.
- District:** Means a municipality that has municipal, executive and legislative Municipality authority in an area that includes more than one municipality and which is described in section 155(1) of the Constitution 1996 as a District Municipality.
- Employer:** means the Randfontein Local Municipality.
- Executive Mayor:** means an Executive Mayor elected in terms of section 55 of the Municipal Structures Act, Act 32 of 1998.
- Firm price:** is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy or tax which in terms of a law or regulation is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.
- Historically Disadvantaged Individual:** means a South African Citizen or any service provider;  
a] who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No. 110 of 1983) or the Constitution of the Republic of South Africa, 1983 (Act No. 2000 of 1993)

(“the Interim Constitution”); and/or

[b] who is a female; and/or

[c] who has a disability:

Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution in 1993, is deemed not to be an HDI.

**Local Municipality:** means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls and which is described in section 155(1) of the Constitution as a Local municipality.

**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.

**Municipal Council or Council:** means a municipal council referred to in section 157(1) of the Constitution, 1996.

**Municipality:** when referred to as –

[a] an entity, means a municipality as described in section 1, and

[b] a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)

**Municipal Manager:** means a person appointed by the Municipality in terms of section 82 of the Municipal Structures Act and who is the head of administration and also the accounting officer for the Randfontein Local Municipality.

**Non-firm prices:** means all prices other than “firm” prices

**Organ of State:** means an organ of state as defined in section 239 of the Constitution.

**Owned:** Having all the customary incidents of ownership, including the right of disposition, and sharing in all the risks and profits commensurate with the degree of ownership interest, as demonstrated by an examination of the substance, rather than the form of ownership arrangements.

**Person:** includes reference to a juristic person.

**Supply Chain Management Officer (Manager):** means an official appointed by the Randfontein Local Municipality to fulfill a vital role in the implementation, the monitoring and the continued application of the Randfontein Local Municipality Supply Chain Management Policy.

**Rand Value:** means the total estimated value of a contract in Rand denomination which is calculated at the time of tender invitations and includes all applicable taxes and excise duties.

**Service Providers:**

- a) “Professional Service Provider”: Any person or body corporate that is under contract to the Employer for the provision of Professional Services.
- b) “General Service Provider”: Any person or body that is under contract to the Employer for the provision of any type of service.

**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.

**Tender/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.

The words are used interchangeably and have the same meaning as used in the Supply Chain Management Regulations of 2005 and the CIDB Act 34 of 2000 and CIDB Regulations 2004

**Tender Committee:** means a committee established by the Randfontein Local Municipality subject to the provisions of section 117 of the Municipal Finance Management Act

**SMME's:** means a separate and distinct business entity, including cooperative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy

## **2. PURPOSE OF THE POLICY**

- 2.1 The purpose of this Policy is to regulate all Supply Chain Management practices within the Randfontein Local Municipality.
- 2.2 This policy implements the Supply Chain Management practices as envisaged by the Act and its Regulations.

## **3. APPLICABILITY OF THIS POLICY**

- 3.1 This Policy is applicable to the Randfontein Local Municipality and must be strictly adhered to when:-
  - (a) procuring goods or services;
  - (b) disposing of redundant goods
  - (c) selecting service providers other than in circumstances where Chapter 8 of the Systems Act applies.
- 3.2 The above do not apply when procuring goods and services from State Departments, public entities and other organs of State.

## **4. ESTABLISHMENT, ADOPTION AND AMEMNDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY**

### **4.1 Establishment of the Supply Chain Management Policy**

4.1.1 In terms of section 111 of the Act the Randfontein Local Municipality hereby establishes and set up structures to implement a supply chain management policy that –

- (a) gives effect to –
  - (i) section 217 of the Constitution; and
  - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
- (b) is fair, equitable, transparent, competitive and cost effective;
- (c) complies with –
  - (i) the regulatory framework prescribed in Chapter 2 of the Regulations; and
  - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
- (d) is consistent with other applicable legislation;
- (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

4.1.2 The municipality may not act otherwise than in accordance with this supply chain management policy when –

- (a) procuring goods or services;
- (b) disposing of goods no longer needed;

- (c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
  - (d) selecting external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- 4.1.3 Paragraphs 4.2.2 and 4.1.2 of this policy do not apply in the circumstances described in section 110 (2) of the Act except where specifically provided otherwise in this policy.

## **4.2 Adoption of the supply Chain Management Policy**

- 4.2.1 The Municipal Manager must submit to Council a draft supply chain management policy that complies with the provisions set out in the model policy, the Municipal Manager must ensure that such draft policy complies with the Regulations regarding Supply Chain Management. The Municipal Manager must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- 4.2.3 Council must, through a resolution, in terms of section 62(1)(f)(iv) of the Act adopt the supply chain management policy to bring it into effect from a date specified in the resolution.

## **4.3 Review and amendment of the Supply Chain Management Policy**

- 4.3.1 The accounting officer must –
- (a) at least annually review the implementation of this policy; and
  - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council.

4.3.2 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.

DRAFT

## **5. DELEGATION OF THE SUPPLY CHAIN MANAGEMENT POWERS**

5.1 The council hereby delegates all powers and duties to the Municipal Manager that are necessary to enable him/her:

- (a) to discharge the supply chain management responsibilities conferred on the Municipal Manager in terms of
  - (i) Chapter 8 or 10 of the Act; and
  - (ii) this policy
- (b) to maximize administrative and operational efficiency in the implementation of this policy;
- (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of this Policy; and
- (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

5.2 The Municipal Manager may not sub-delegate any supply chain management powers or duties to a person who is not an official of the Randfontein Local Municipality or to a committee that is not exclusively composed of officials of the Randfontein Local Municipality.

5.3 An official to whom the power to make final awards has been delegated may not make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.

5.4 The Municipal Manager hereby sub-delegate supply chain management powers to make final awards on procurement matters in this manner:

<b>Amount including VAT</b>	<b>Authority</b>
1. Above R10 000 000.00 (R10 Million)	Municipal Manager. This power may not be sub-delegated.
2. More than R2 000 000.00 (R2 Million) but below R10 000 000.00	May be sub-delegate only to- <ul style="list-style-type: none"> <li>(i) The chief financial officer;</li> <li>(ii) A senior manager; or</li> <li>(iii) a bid adjudication committee of which the chief financial officer or senior manager is a member</li> </ul>
3. More than R200 000.00 but not exceeding R2 000 000.00 (- R2 Million)	May be sub-delegate only to- <ul style="list-style-type: none"> <li>(i) The chief financial officer;</li> <li>(ii) A senior manager; or</li> <li>(iii) A manager directly accountable to the chief financial officer or a senior manager; or</li> <li>(iv) A bid adjudication committee.</li> </ul>

## **6. REPORTING REQUIREMENTS**

### **6.1 Reporting by the Municipal Manager to the Council**

6.1.1 The Municipal Manager must submit the following reports to the Council through established channels –

- (a) Progress Report on implementation of this Policy within 10 days of the end of each quarter;
- (b) Consolidated report on the implementation of this Policy within 30 days of the end of each financial year;
- (c) Report all deviations in the implementation of this Policy and any remedial action taken or envisaged;
- (d) Report containing particulars of each final award made 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 service provider; and
  - (iv) details of the acquisition plan versus the spend for the month.
- (e) Report on awards of unsolicited bids;
- (f) Report on all awards to close family members or persons in the service of the State or has been in the service of the State in the previous 12 months;
- (g) Report on any abuses found and the remedial actions taken, and
- (h) Report of all declarations made and gifts received by employees.

## **6.2 Reporting by the Chief Financial Officer to the Finance Committee and the Mayoral Committee**

6.2.1 The Chief Financial Officer must submit the following reports to the Finance, Committee and the Mayoral Committee through established channels –

- (a) Progress Report on implementation of this Policy within 10 days of the end of each quarter;
- (b) Consolidated report on the implementation of this Policy within 30 days of the end of each financial year;
- (c) Report all deviations in the implementation of this Policy and any remedial action taken or envisaged;
- (d) Quarterly progress report on operations of the Supply Chain Management Unit;
- (e) Report containing particulars of each final award made by Adjudication Committees during that month, within 5 days of the end of each 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; and
  - (iii) details of the acquisition plan versus the spend for the month.

### **6.3 Reporting by the Manager Supply Chain Management to Chief Financial Officer, Municipal Manager and CIDB**

6.3.1 The Supply Chain Management Manager must submit the following reports to the Chief financial Officer, Municipal Manager, the Mayoral Committee and CIDB through established channels:–

- (a) Report on Final awards made by Adjudication Committee within 5 days of the end of each month;
- (b) Report to the relevant directors on non-compliance, deviations and remedial action proposed or taken;
- (c) Report to CIDB on construction projects awarded;
- (d) Report to the Chief Financial Officer on the operations of the Supply Chain Management Unit on a monthly basis;
- (e) Report containing particulars of each final award made by Director or Adjudication Committees during that month within 5 days of the end of each 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; and
  - (iv) details of the acquisition plan versus the spend for the month

#### **6.4 Reporting by the Directors to Chief Financial Officer**

- (a) The directors must submit petty cash procurement report to the Chief Financial Officer on a monthly basis;
- (b) Report on final awards of transactions below R30 000 within 5 days of the end of each 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; and
  - (iv) details of the acquisition plan versus the spend for the month.

#### **6.5 Reporting by the Randfontein Municipality to National Treasury and /or Provincial Treasury**

6.5.1 The Municipality must submit the following reports to National Treasury and or Provincial Treasury-

- (a) Report on all purchases paid for in foreign currency;
- (b) Report on contracts and/or transaction to the value of R100 million and more;
- (c) Report on supplier or director thereof that has abused the Supply Chain Management system and have been found guilty of improper conduct;
- (d) Awards of unsolicited bids;
- (e) Report on any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:-
  - (i) a provider or prospective provider of goods or services;
  - (ii) a recipient or prospective recipient of goods disposed or to be disposed.

- (f) Report on any service provider that has been found guilty of inducing or bribing City employees for the award of business;
- (g) Report on all awards of more than R2 000 to a close family member of persons in the service of the state or has been in the service of the state in the previous 12 months;
- (h) Report on abuses of Supply Chain Management and the remedial steps taken;
- (i) Report on contracts awarded that the duration extends beyond three years.

## **6.6 Reporting by the Randfontein Municipality to Department of Trade and Industry-**

- 6.6.1 The Municipality must submit to Department of Trade and Industry a report on all transactions/contracts to the value of R100 million and more.
- 6.6.2 All reports indicated above will be made public through the official website of the City.

## **7. OVERSIGHT RESPONSIBILITY**

7.1 The Randfontein Local Municipal Council reserves the right to maintain an oversight over the implementation of this policy. This requires that:

- (a) the Municipal Manager must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive Mayor; and
- (b) the Municipal manager must within 30 days of the end of each financial year, submit a report on the implementation of this policy to the council of the municipality; and
- (c) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council.
- (d) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

## **8. SUPPLY CHAIN MANAGEMENT UNIT**

### **8.1 Establishments and functioning of the unit**

- 8.1.1 A supply chain management unit is hereby established to implement this policy.
- 8.1.2 The supply chain management unit will be under the direct supervision of a manager who reports directly to the chief financial officer.
- 8.1.3 The chief financial officer must on an annual basis approve training budget and plans for all officers working in the supply chain management unit to ensure that they are:
  - (a) Trained in accordance with the Treasury Guidelines; and
  - (b) Continuously trained to ensure proper implementation of the policy in accordance with Treasury Regulations.

### **8.2 Performance Management**

- 8.2.1 Compliance to this Policy will form an integral part of the Randfontein Local Municipality's performance measurement system for all directors and Supply Chain Management employees.
- 8.6.2 On yearly basis Supply Chain Management Unit objectives will be set and measured as per the Integrated Development Plan.
- 8.2.3 The Municipality will ensure that Supply Chain Management practices are audited at least on yearly basis.

## **9. DEMAND MANAGEMENT AND REQUISITION PROCESS**

### **9.1 Demand management**

9.1.1 To implement effective and efficient Supply Chain Management system that espouses cost savings the Randfontein Local Municipality ascribes to the following principles of demand management:-

- (a) Consolidation of the Municipality's requirements through Supply Chain Management Unit to maximize economies of scale. To this extent all requirements must be processed through Supply Chain Management Unit;
- (b) Clearly articulated requirements and specifications that meet the needs and expectations of multiple users. The specifications shall be unbiased, functional and not brand specific;
- (c) Acquisition of all goods and services required must be outlined in terms of the Integrated Development Plan and quantified on monthly or quarterly basis;
- (d) Similar requirements will necessitate one contract;
- (e) Where necessary Industry Analysis and Research should be undertaken to ensure best value for money.

### **9.2 Requisition process**

9.2.1 Any department requesting goods or services must complete a requisition form and have the form approved by the departmental director, the budgeting section and the chief financial officer before submitting it to the supply chain management unit for implementation. [**Annexure #: Requisition form**]

- (a) The departmental head to confirm that the goods are required by the department to fulfill a budgeted need; and
- (b) The budget section to confirm that the goods/services requested are budgeted for;

- (b) The chief financial officer to confirm that a proper need analysis was performed and is supported by an attached motivation from the department.
- 9.2.2 If the goods/services being requisitioned were not budgeted for, approval must be obtained from the Municipal Manager.
- 9.2.3 The requesting department must submit the completed and approved requisition form to the supply chain management unit.
- 9.2.4 The completed requisition form must disclose the following information:
- (a) The nature of goods and services required; and
  - (b) The quantity of goods required;
  - (c) The date when the goods and services will be required.

## **10. SUPPLIER DATABASE**

- 10.1 It is the aim of the Randfontein Local Municipality to incorporate as many small, medium and micro enterprises [SMME's]; local suppliers; consultants and contractors within the process of procurement.
- 10.2 In order to stimulate participation of the abovementioned service providers the Randfontein Local Municipality must have a database of prospective suppliers and service providers.
- 10.3 To establish a database of prospective suppliers the Randfontein Local Municipality must advertise in a representative newspaper or by any other means to invite prospective suppliers and service providers to apply for evaluation and listing onto the database.
- 10.4 Care must be taken that costs of advertisements do not render the final product cost – ineffective. Alternative means to reach all prospective tenderers in a cost effective manner e.g. Billboard adverts; post offices, shops, community halls, must be used.
- 10.5 The database must be updated quarterly to incorporate newly established providers and any new commodity or type of services. However, prospective providers must be allowed to submit applications for listing at any time.
- 10.6 The following information, contained in the prescribed form, is required for consideration before inclusion in the supplier database: **[Annexure #: Supplier registration form]**
- (a) The form of business, for example, partnership, sole proprietor, close corporation.
  - (b) Names and Percentage ownership of partners, members, directors, etc., and which must include contact details of the aforementioned.
  - (c) Percentage ownership of the business by South African women;
  - (d) Percentage of disabled employees;

- (e) Written documentation regarding affirmative action policies;
  - (f) Local status – where is the business located?
  - (g) Emerging status – when was the business started?
  - (h) Proof of registration as a levy payer in the Randfontein Local Municipality
  - (i) Proof of PDI / PDC or PDC Joint Venture (Company Registration Forms).
  - (j) Percentage of local labour to be used.
  - (k) SARS tax clearance.
- 10.7 The above information will be used in the adjudication of Interested Parties for inclusion on database.
- 10.8 Interested Parties submitting false information will be regarded as committing a fraudulent act and may be subject to prosecution or such other remedy as the Municipality may decide.
- 10.9 Any prospective provider whose name or the name of one or more of its directors, shareholders, stakeholder and/or manager appears on the National Treasury's database as an entity or person prohibited from doing business with the public sector would be disallowed from being listed.

## 11. SUPPLY CHAIN MANAGEMENT PROCESS

11.1 Unless otherwise authorized by the Municipal Manager, goods and Services, in the Randfontein Local Municipality, will be procured through the supply chain management unit.

11.2 The following processes will be followed when procuring goods/services:

Amount (including VAT)	Process
1. R0.00 – R1 500.00	Petty Cash Purchases approved by the line manager
2. R1 501.00 – R30 000.00	Written quotations through the supply chain management unit.
3. R30 001.00 – R200 000.00	Formal written price quotations through the supply chain management unit.
4. R200 001.00 and above	Competitive bidding process through the supply chain management unit.
5. Any contract of twelve (12) months and longer irrespective of the value thereof.	Competitive bidding process through the supply chain management unit.

11.3 The Municipal manager may, in writing:

- (a) lower, but not increase, the different threshold values specified in 11.2 above; or
- (b) direct that –
  - (i) written or verbal quotations be obtained for any specific procurement of a transaction value equal to or lower than R1 500.00;

- (ii) formal written price quotations be obtained for any specific procurement of a transaction value above R1 500.00 but lower than R30 000.00; or
- (iii) a competitive bidding process be followed for any specific procurement of a transaction value above R30 000.00 but lower than R200 000.00.

11.4 Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

11.5 The splitting into parts or items of a lesser value merely to avoid complying with the requirements of the policy would constitute a gross misconduct by the party found to have committed the act.

#### **11.6 Preferential procurement strategy**

11.6.1 The Randfontein Local Municipality would endeavor to procure goods and services above R1 500.00 and below R30 000.00 based on written quotations from Historically disadvantage individuals in the following order of preference:

- (a) HDI SMME's based in the Randfontein Local Municipality
- (b) Other suppliers based in the Randfontein Local Municipality
- (c) HDI SMME's based in the Westrand.
- (d) Other suppliers based in the Westrand.
- (e) Suppliers based in Gauteng.

11.6.2 All quotations will be evaluated in terms of the criteria set, taking into consideration the nature of the goods or services being procured.

## **11.7 Requirement for quotations and bids**

11.7.1 A written quotation or bid may not be considered unless the provider who submitted the quotation or bid is registered on the Randfontein Local Municipality supplier database and –

- (a) has furnished that provider's –
  - (i) Full name; and
  - (ii) Nature of the entity submitting the quotation or bid; and
  - (iii) Identification number or company or other registration number; and
  - (iv) Tax reference number and VAT registration number, if any.
- (b) has authorized the Randfontein Local Municipality to obtain a tax clearance from the South African Revenue Services to determine if that provider's tax matters are in order; and
- (c) has indicated –
  - (i) whether he/she is in the service of the state, or has been in the service of the state in the previous twelve months;
  - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
  - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

## **11.8 Petty cash purchases**

11.8.1 Goods may be purchased by means of the petty cash under the following conditions:

- (a) Through this policy the Randfontein Local Municipal Council authorizes line managers to purchase goods of low value (R1 500.00 or less) and are required on a once off basis in their department from the petty cash account.
- (b) All petty cash purchases must be approved by the line manager in that department where the goods are being utilized.
- (c) Purchases by petty cash must be in accordance with the preferential system set out in this policy.

## **11.9 Conditions for written quotations**

11.9.1 Quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited providers on the Randfontein Local Municipality supplier database.

11.9.2 Quotations may be obtained from suppliers who are not listed, provided that such providers are ready to comply with the requirements for listing and submit the relevant form for listing prior to their quotation being considered;

11.9.3 If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official where less than three quotations were obtained.

11.9.4 The chief financial officer or his/her designate must, within three days at the end of each month, report to the Municipal Manager the names of the potential providers and their written quotations.

## **11.10 Procuring goods or services through written quotations**

- 11.10.1 All requests for formal written quotations must be advertised for at least seven days on the website and an official notice board of the Randfontein Local Municipality;
- 11.10.2 Evaluation of the formal quotations must be done in accordance with the Preferential Procurement Policy Framework Act;
- 11.10.3 Reasons for non compliance with 11.10.1 (advertising period) and 11.10.2 (PPPFA) must be approved by the Municipal Manager. In giving such approval the Municipal Manager must take all reasonable steps to ensure that the procurement of goods and services through written quotations is not abused;
- 11.10.4 The Municipal Manager and the chief financial officer must on a monthly basis be notified in writing of all written quotations accepted by an official acting in terms of a sub delegation, and;
- 11.10.5 All records of quotations and purchases must be kept in a safe and secured place in accordance with the record management policies in the Randfontein Local Municipality. This requires that financial records be stored for a minimum period of five year.

## **11.11 Competitive bidding process**

- 11.11.1 Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, except bulk services; and
- 11.11.2 No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process. The splitting of transaction is considered to be a gross misconduct on the person authorizing such splitting.

11.11.3 The bid documentation must comply with the following requirements:

- (a) The bid documentation must take into account-
  - (i) the general conditions of the contract;
  - (ii) any Treasury guidelines on bid documentation; and [Annexure #]
  - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure
- (b) The bid documentation must include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) The bid documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) If the value of the transaction is expected to exceed **R10 million** (VAT included), require bidders to furnish-
  - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
    - (aa) for the past three years; or
    - (bb) since their establishment if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

- (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

#### **11.11.4 Public invitation of competitive bids**

- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or municipal entity or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
- (b) the information contained in a public advertisement, must include –
  - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (11.11.2) of this policy; and
  - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality or municipal entity.
- (c) The Municipal Manager may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

- (d) Bids submitted must be sealed
- (e) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

#### **11.11.5 Procedure for handling, opening and recording of bids**

- (a) Bids–
  - (i) must be opened only in public; and
  - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired;
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price; and
- (c) The Municipal Manager must –
  - (i) record in a register all bids received in time;
  - (ii) make the register available for public inspection; and
  - (iii) publish the entries in the register and the bid results on the website

#### **11.11.6 Negotiations with preferred bidders**

- (a) The Municipal Manager or his/her designate 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 any other bidder; and
  - (iii) does not lead to a higher price than the bid as submitted.
- (b) Minutes of such negotiations must be kept for record purposes.

#### **11.11.7 Two-stage bidding process**

- (a) A two-stage bidding process is allowed for –
  - (i) large complex projects
  - (ii) projects where it may be undesirable to prepare complete detailed technical specifications; or
  - (iii) long term projects with a duration period exceeding three years
- (b) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (c) In the second stage final technical proposals and priced bids should be invited.

#### **11.11.8 Committee system for competitive bids**

- (a) The Randfontein Local Municipality will use a committee system for competitive bids, to deal with the following areas, consisting of at least –
  - (i) a bid specification committee;
  - (ii) a bid evaluation committee; and
  - (iii) a bid adjudication committee;
- (b) The Municipal Manager must appoint the members of each committee, taking into consideration that councillors are excluded from serving on the committees as per section 117 of the Act; and
- (c) The Municipal Manager may, with prior approval, provide for an attendance or oversight process by a neutral or independent observer, when this is appropriate for ensuring fairness and promoting transparency.
- (d) The committees must exercise the powers as set out below and in accordance with any applicable legislation.

### **11.11.9 Bid specification committees**

- (a) The bid specification committee must compile the specifications for each instance where goods or services are to be procured by the municipality or municipal entity.
- (b) Specifications
  - (i) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
  - (ii) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
  - (iii) Where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
  - (iv) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
  - (v) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”;
  - (vi) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Policy Framework Regulations 2001; and

- (vii) must be submitted for approval to the Municipal Manager two weeks prior to publication of the invitation for bids.
- (c) The bid specification committee must be composed of one or more officials of the municipality or municipal entity, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (d) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

#### **11.11.10 Bid evaluation committee**

- (a) The bid evaluation committee must –
  - (i) evaluate bids in accordance with – the specifications for a specific procurement; and the points system approved by the bid specification committee. [**Annexure #**]
  - (ii) evaluate each bidder’s ability to execute the contract;
  - (iv) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and
  - (v) verify the information contained in the documentation with the Registrar of Companies and where necessary interview shareholders of the supplier to confirm the preferential rating of the company; and
  - (vi) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter;

- (b) The bid evaluation committee must as far as possible be composed of –
  - (i) officials from departments requiring the goods or services; and
  - (ii) at least one supply chain management official of the municipality.

#### **11.11.11 Bid adjudication committees**

- (a) The bid adjudication committee must –
  - (i) consider the report and recommendations of the bid evaluation committee; and
  - (ii) either –
    - (aa) depending on its delegations, make a final award or a recommendation to the Municipal Manager to make the final award; or
    - (bb) make another recommendation to the Municipal Manager on how to proceed with the relevant procurement
- (b) The bid adjudication committee must consist of at least four senior managers of the municipality or municipal entity which must include –
  - (i) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (ii) the supply chain management unit manager, who is an employee of the Randfontein Local Municipality; and
  - (iii) a technical expert in the relevant field who is an employee, if such an expert exists.
- (c) The Municipal Manager must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

- (d) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (e) If the bid adjudication committee decides to award a bid to a person other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
  - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and
  - (ii) notify the Municipal Manager.
- (f) The Municipal Manager may –
  - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to above; and
  - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration
- (g) The Municipal Manager may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

- (h) The Municipal Manager must comply with section 114 of the Act within 10 working days that provides that - If a tender 'other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, the Municipal Manager of the municipality or municipal entity must, in writing notify the Auditor-General, the relevant provincial treasury and the National Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.

## **12. PROCUREMENT OF SPECIFIC GOODS**

### **12.1 Procurement of banking services**

#### 12.1.1 Banking services –

- (a) must be procured through competitive bids;
- (b) must be consistent with section 7 or 85 of the Act; and
- (c) may not be for a period of more than five years at a time.

12.1.2 The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

12.1.3 The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper.

12.1.4 Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

### **12.2 Procurement of IT related goods or services**

12.2.1 The Municipal Manager may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

12.2.2 The Municipality and SITA must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

12.2.3 The Municipal Manager must notify SITA together with a motivation of the IT needs if –

- (a) the transaction value of IT related goods or services required in any financial year will exceed **R50 million** (VAT included); or
- (b) the transaction value of a contract to be procured whether for one or more years exceeds **R50 million** (VAT included).

12.2.4 If SITA makes some recommendations with regard to the bidding process and the municipality disagree with such recommendations, the recommendation and the reasons for rejecting or not following such recommendation must be submitted to the Council, the National Treasury, the relevant provincial treasury and the Auditor General.

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

12.3.1 The Municipal Manager may procure goods or services under a contract secured by another organ of state, but only if –

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) there is no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits to do so; and
- (d) that other organ of state and the provider have consented to such procurement in writing.

12.3.2 If there is no need to show demonstrable discounts and consent in writing as required above if –

- (a) the local municipality procures goods or services through a contract secured by its parent municipality.

### **12.4 Procurement of goods necessitating special safety arrangements**

12.4.1 The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

12.4.2 Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

## **12.5 Appointment of consultants**

12.5.1 The Municipal Manager may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

12.5.2 Consultancy services must be procured through competitive bids if –

- (a) the value of the contract exceeds R200 000 (VAT included); or
- (b) the duration period of the contract exceeds one year.

12.5.3 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of – **[Annexure #]**

- (a) all consultancy services provided to an organ of state in the last five years; and
- (b) any similar consultancy services provided to an organ of state in the last five years.

12.5.4 The Municipal Manager must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

## **13. Proudly SA Campaign**

13.1 In the procurement of local goods and services, as per the preferential procurement strategy for goods and services up to R30 000.00, all things being equal, preference is given to procuring from:

- (a) Firstly –suppliers and businesses within the municipality or district;
- (b) Secondly – suppliers and businesses within the relevant province;
- (c) Thirdly – suppliers and businesses within the Republic of South Africa

**14. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, SUPPLY CHAIN MANAGEMENT PROCESSES**

14.1 The Municipal Manager may –

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

14.2 The Municipal Manager must record the reasons for any deviations from this policy and report them to the next meeting of the Council and include as a note in the annual financial statements.

14.3 These requirements do not apply to the procurement of bulk goods and services for resale by the Municipality such as water and electricity.

## **15. UNSOLICITED BIDS**

- 15.1 In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- 15.2 The Municipal Manager may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
  - (c) the person who made the bid is the sole provider of the product or service; and
  - (d) the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager.
- 15.3 If the Municipal Manager decides to consider an unsolicited bid that complies with paragraph (15.2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
- (a) reasons as to why the bid should not be open to other competitors;
  - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 15.4 All written comments received pursuant to paragraph 15.3, including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant Provincial Treasury for comment.

- 15.5 The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Municipal Manager, depending on its delegations.
- 15.6 A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 15.7 When considering the matter, the adjudication committee must take into account:
- (a) any comments submitted by the public; and
  - (b) any written comments and recommendations of the National Treasury or the relevant Provincial Treasury.
- 15.8 If any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Municipal Manager must submit to the Auditor General, the relevant Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 15.9 Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission to the Treasuries and the Auditor General.

## **16. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM**

### **16.1 Prevention of abuse**

#### **16.1.1 The Municipal Manager must–**

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

- (f) cancel a contract awarded to a person if –
  - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
  - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
  - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
  - (ii) has been convicted for fraud or corruption during the past five years;
  - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - (iv) has been listed in the Register for Tender Defaulters In terms section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

16.1.2 The Municipal Manager must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of this policy.

## **16.2 Penalties for abuse of supply chain management**

16.2.1 Abuse of Supply Chain Management is not acceptable and the Randfontein Local Municipality will take harsh steps against any person found to have violated and/or abused this policy.

16.2.2 Employees found guilty of conniving with suppliers or contravening this Policy will be disciplined.

- 16.2.3 Service providers and their directors who have been found guilty of abusing this Policy will be barred/suspended from doing business with the Randfontein Local Municipality and National Treasury will be informed accordingly.
- 16.2.4 The Randfontein Local Municipality reserves the right to criminally prosecute any person found to have violated or abused this Policy. To this extent the South African Law Enforcement agencies will be informed and the case will be handed over to them.
- 16.2.5 The Randfontein Local Municipality reserves the right to cancel or not to award business to service providers found to have:
- (a) unfairly influenced the process of award and have been found guilty of improper conduct;
  - (b) has been convicted for fraud or corruption during the past 5 years;
  - (c) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - (d) has been listed in the Register for Tender Defaulters In terms of section 29 of the Prevention and Combating of Corrupt Activities Act No 12 of 2004.
- 16.2.6 All employees are expected to assist the Randfontein Local Municipality in fighting corruption and to this extent are encouraged to report all suspicious acts in terms of the Randfontein Local Municipality Anti-corruption Policy.

## **17. LOGISTICS MANAGEMENT**

### **17.1 Inventory management**

17.1.1 The Randfontein Local Municipality is committed to the following principles of inventory management:

- (a) consolidation of stock items to avoid duplication and redundancy;
- (b) running the stores in an efficient and cost effective manner;
- (c) maintaining an effective item identification system;
- (d) avoid fruitless and wasteful expenditure by disposing redundant material on time; and
- (e) designing and implementing internal control systems that seeks to ensure that the Randfontein Local Municipality minimizes theft and avoidable losses.

17.1.2 To ensure achievements of the goals above the Randfontein Local Municipality will ensure that:-

- (a) Items are coded to ensure that each item has a unique number for the purposes of monitoring spending patterns on types or classes of goods and assets;
- (b) Stock items are kept in clearly marked bins located in the store/warehouses to enable ease of identification at all times;
- (c) To prolong the life of goods/stock kept in the stores/warehouse, the stores/warehouse must be kept in a clean, safe, tidy and systematic condition that complies with the health and safety standards;
- (d) Inventory levels will be set that includes minimum and maximum levels and lead times wherever goods are placed in stock. Thus, the minimum and maximum re-order levels and safety stock will also be determined for each stock category by the Inventory Manager and the User Departments

are responsible for providing demand forecasts to enable the Stores Manager to determine these minimum and maximum levels;

- (e) Appropriate measures will be taken to minimize the risk, associated with the keeping of stock/goods, to the City, as well as management of stock-outs;
- (f) Ordering and receiving of stock must be done according to the Procedure manual.

17.1.3 The Randfontein Local Municipality will ensure appropriate standards of internal controls and stores/warehouse management are in place to ensure goods placed in stores are secured and only used for the purpose they were purchased;

17.1.4 The Randfontein Local Municipality will ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes.

## **17.2 Disposal management**

17.2.1 The disposal of assets will–

- (a) be by one of the following methods –
  - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
  - (iii) selling the asset; or
  - (iv) destroying the asset;
- (b) provide that –
  - (i) immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

- (ii) movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
  - (iii) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
  - (iv) in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;
- (c) furthermore ensure that –
- (i) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
  - (ii) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and
- (d) where assets are traded in for other assets, the highest possible trade-in price is negotiated.

## **18. RISK MANAGEMENT**

- 18.1 The Randfontein Local Municipality will effectively manage risk through a system of identification, consideration and avoidance of potential risks in the Supply Chain Management system.
- 18.2 The criteria for the identification, consideration and avoidance of potential risks in the Supply Chain Management system, are as follows:
- (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
  - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
- 18.3 Due care must be taken in the bid administration and management process to minimize the risk of litigation by unsatisfied service provider(s). The Supply Chain Management Unit must ensure that where third party software or license agreement(s) is used, a service provider owns/has the right of use of any intellectual property. Any damages for non-compliance will be for the suppliers account.
- 18.4 General risk management measures that will be applied by the Randfontein Local municipality will include the following:
- (a) Business Plans where applicable will be required for approval prior to the commencement of all projects.
  - (b) Feasibility and/or design reports will be required by the Randfontein Local municipality before tenders for projects are called.

- (c) As far as possible tender documents will be specific and detailed.
- (d) The applicable project standards will be made available for public perusal.
- (e) Consultants and/or Randfontein Local municipality officials will ensure time, cost and quality control while projects are being implemented.
- (f) Tenderers, where applicable, will be required to take public liability insurance to cover the Randfontein Local municipality.
- (g) Variation orders to projects will require the approval of the Municipal Manager or a delegated Randfontein Local municipality official prior to execution on site.

18.5 Sureties are normally required for construction projects. Surety requirements are classified under the following three categories:

<b>AMOUNT</b>	<b>PERCENTAGE</b>
<b>R 300 000</b>	<b>Nil</b>
<b>R 300 001-R1 000 000</b>	<b>2.5%</b>
<b>R1 000 001-R3 000 000</b>	<b>5%</b>
<b>R3 000 001-R5 000 000</b>	<b>7.5%</b>
<b>R5 000 001- and above</b>	<b>10%</b>

18.6 In the event that a contractor is unable to raise the required surety, the Randfontein Local Municipality may allow such surety to be deducted in full or part from monies that are to become due to the contractor.

- (a) This may take the form of deductions from the first three [3] payment certificates due to the contractor.

- (b) At the discretion of the Municipality, it may waive the requirement for a surety on construction contracts that are estimated to be equal to or lower than one million rand [R1 000 000.00].
- 18.7 The Municipality would only consider waiver of sureties to assist and facilitate the entry of emerging entrepreneurs in the small works sector of the construction industry:
- (a) The waiver will be allowed in exceptional cases where a surety, guarantee or bridging finance cannot be accessed through financial institutions and written proof thereof must be submitted to the Randfontein Local Municipality.
- (b) In the event surety is waived Randfontein Local Municipality will underwrite the risk of such contracts in order to provide opportunities that will target HDI's.
- 18.8 Service providers/Contractors will not be allowed to engage in more than two contracts at a time where sureties have been waived.
- 18.9 Surety will be released on application to the Randfontein Local Municipality and the Municipality approving of the completion certificate for the contract.
- 18.10 The Randfontein Local Municipality requires a percentage of the project costs for all construction projects to be set aside as retention. A 5% retention fee up to a maximum of 10% of the contract sum will be applied on all contracts.
- (a) Half of the retention amount will be released on issue of the completion certificate for the contract. The balance of the retention will be released on the completion of the defects liability period of the contract.
- 18.11 Once approval has been received from the participating service provider and the Municipal Manager, the Municipality may at it's discretion, enter into a cession agreement with a service provider to provide an opportunity to service providers who cannot raise the necessary capital to procure services and goods

## **19. PROHIBITED AWARDS**

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

19.1.1 The Municipal Manager must ensure that, irrespective of the procurement process followed, no award above R30 000 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

19.1.2 Before making an award to a person the accounting person must first check with SARS whether that person's tax matters are in order.

19.1.3 If SARS does not respond within 7 days such person's tax matters may for purposes of paragraph 19.1.1 be presumed to be in order.

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

19.2.1 The Municipal Manager must ensure that irrespective of the supply chain management process followed, no award may be given to a person –

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

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

19.3.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000.00 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

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

## **20. ETHICAL STANDARDS**

20.1 A code of ethical standards is hereby established, in accordance with paragraph 20.2, for officials and other role players in the supply chain management system in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

20.2 An official or other role player involved in the implementation of the supply chain management policy –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding subparagraph (2)(c), must declare to the Municipal Manager details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

- (g) must be scrupulous in his or her use of property belonging to the municipality;
- (h) must assist the Municipal Manager in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system; and
- (i) must report to the Municipal Manager any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
  - (i) any alleged fraud, corruption, favoritism or unfair conduct;
  - (ii) any alleged contravention of this policy; or
  - (iii) any alleged breach of this code of ethical standards.

20.3 Declarations of interest -

- (a) must be recorded in a register which the accounting officer must keep for this purpose;
- (b) by the Municipal Manager must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.

20.4 The National Treasury's Code of Conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

20.5 Municipality would put in place a process for the adoption of the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management.

20.6 A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Systems Act.

**21. INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS**

21.1 No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:

- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
- (b) any reward, gift, favor or hospitality to –
  - (i) any official; or
  - (ii) any other role player involved in the implementation of the supply chain management policy.

21.2 The Municipal Manager must promptly report any alleged contravention of paragraph 20.1 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

21.3 Paragraph 18.1 does not apply to gifts less than **R100.00** in value in terms of the Prevention and Combating of Corrupt Practices Act No.12 of 2004.

## **22. SPONSORSHIPS**

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

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

## **23. OBJECTIONS AND COMPLAINTS**

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

## **24. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES**

24.1 The Municipal Manager must appoint an independent and impartial person, not directly involved in the supply chain management processes –

- (a) to assist in the resolution of disputes between the municipality and other persons regarding –
  - (i) any decisions or actions taken in the implementation of the supply chain management system; or
  - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

24.2 The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.

- 24.3 The person appointed must –
- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.
- 24.4 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
- (a) the dispute, objection, complaint or query is not resolved within 60 days;  
or
  - (b) no response is forthcoming within 60 days.
- 24.5 If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- 24.6 This paragraph must not be read as affecting a person’s rights to approach a court at any time.

## **25. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER**

- 25.1 If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –
- (a) a cap on the compensation payable to the service provider; and that such compensation must be performance based.

## **26. COMMENCEMENT**

- 26.1 This policy takes effect on the date on which it is adopted by the council.