



SUPPLY CHAIN MANAGEMENT POLICY

Adopted by Council: COUNCIL RESOLUTION

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1. Definitions

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and

“Central Supplier Database (CSD)” means National Treasury's web based Vendor Management Database established as per MFMA circular No. 81, Municipal Finance Management Act No. 53 of 2003. www.csd.gov.za effective as 01 July 2016

“Competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (e) of this Policy;

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

“emergency” means is a serious, unexpected, unforeseen and potentially dangerous and damaging situation requiring immediate action and which is not due to lack of planning, if left unattended will cause a serious health/life threatening risk or adverse financial ramifications.

“e-Tender publication portal” means National Treasury's central web based publication platform to ensure goods, services and works are procured in a manner that is fair, equitable, transparent, competitive and cost effective by advertising centrally as an invitation to prospective bidders to submit bids. www.etenders.gov.za

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

“formal written price quotation” means quotations referred to in paragraph 12(1)(c) of this policy;

“in the service of the state” means to be -

a) a member of -

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

f) an employee of Parliament or a provincial legislature;

“contract of long term nature” means a contract with a duration period exceeding the three year MTREF period as per section 33 of the MFMA;

“list of accredited prospective providers” means the list of accredited prospective providers which the **municipality** must keep in terms of paragraph 14 of this policy; or Central Supplier Database

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

a. **the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000):**

b. the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and

c. the Construction Industry Development Board Act, 2000

“PPPFA” means the preferential Procurement policy framework Act, no 5 of 2000

“Executive Manager” reporting directly to the Accounting Officer” means an executive manager in the employment of the Garden Route District Municipality who heads a department and reports to the Municipal Manager

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

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

“written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy

- (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –
- a. gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - b. is fair, equitable, transparent, competitive and cost effective;
 - c. complies with –
 - (i) the 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:
 - (i) The Preferential Procurement Policy Framework Act
 - (ii)
 - (iii) The Broad Based Black Economic Empowerment Act
 - (iv) The Construction Industry Development Board Act
 - (v) The Local Government: Municipal Systems Act
 - (vi) The Promotion of Administrative Justice Act
 - (vii) The Promotion of Access to Information Act
 - e. does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - f. is consistent with national economic policy concerning the promotion of investments and doing business with the public sector
 - g. assigns the responsibility for the implementation of policy to the Accounting Officer of the Municipality
- (2) The Municipality may not act otherwise than in accordance with the supply chain management policy when –
- (i) Procuring goods or services
 - (ii) Disposing of goods no longer needed or which have become redundant
 - (iii) Disposing or letting of fixed assets, including land needed have proven commercial value no longer required for basic municipal service

- (iv) 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
 - (v) 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
- (3)** This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - b) electricity from Eskom or another public entity, another municipality or a municipal entity.

3. Adoption and amendment of the supply chain management policy

- (1)** The accounting officer must
- a) at least annually review the implementation of this Policy;
 - b) review compliance to norms and standards cost efficiency of the supply chain management process; and
 - c) when the accounting officer considers it necessary submit proposals for the amendment of this Policy to the council.
- (2)** If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –
- a) ensure that such proposed amendments comply with the Regulations; and
 - b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3)** When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
- (4)** The desired outcome of the policy is to provide mechanism to ensure sound, sustainable and accountable Supply Chain Management within the Garden Route District Municipality while promoting the following LED objectives:
- (i) to stimulate and promote local economic development in a targeted and focused manner as per **Regional Economic Development Strategy and**

Regional Economic Policy;

- (ii) to promote resource efficiency and reduce the negative environmental impact of daily operations of the Garden Route District;
- (iii) to facilitate creation of employment and business opportunities for the people of the Garden Route District with particular reference to Preferential Procurement Policy Framework Act, 2000,
- (iv) to promote the competitiveness of regional businesses within approved Regional Economic Development Strategy.

4. Delegation of supply chain management powers and duties

- 1)The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
 - a)to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - i) Chapter 8 or 10 of the Act; and
 - ii) this Policy;
 - b)to maximise administrative and operational efficiency in the implementation of this Policy;
 - c)to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - d)to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- 2)Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- 3)The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of municipality or to a committee which is not exclusively composed of officials of the municipality.
- 4)This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

5. Sub delegations

- (1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including

those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

(2) The power to make a final award –

- a) above R 10 million (VAT included) may not be sub delegated by the accounting officer;
- b) above R 2 million (VAT Included), but not exceeding R 10 Million (VAT Included), may be sub-delegated but only to –

(i) **the chief financial officer;**

(ii) a Head of Department; or

(iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

- c) not exceeding R 2 million (VAT Included) may be sub-delegate but only to –

(i) the chief financial officer;

(ii) a Manager directly accountable to Accounting Officer

(iii) a manager directly accountable to the Chief Financial Officer or a Senior Manager; or

(iv) a bid adjudication committee.

(3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph 5(2) must within five days of the end of each month submit to the accounting officer a written report containing particulars of each final award made by such official or committee during that month, including-

- (i) the amount of the award;
- (ii) the name of the person to whom the award was made; and
- (iii) the reason why the award was made to that person.

(4) A written report referred to in subparagraph 5(3) must be submitted –

- a) to the accounting officer, in the case of an award by –

(i) the chief financial officer;

(ii) a senior manager; or

(iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

- b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –

(i) a manager referred to in subparagraph (2)(c)(iii); or

- (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

(5) Subparagraphs 5(3) and 5(4) of this policy do not apply to procurements out of petty cash.

(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

6. Oversight role of council

1.The council reserves its right to maintain oversight over the implementation of this Policy

2.For the purposes of such oversight the accounting officer must –

- (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or share control of the municipality, to the council of the municipality;

- (ii) and whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

3.The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor

4.The reports must be made public in accordance with section 21A of the Municipal Systems Act.

5.Section 117 of the MFMA prohibits a municipal councillor from being a member of a bid committee or attend any other committee evaluating or approving quotations or bids nor
may a Municipal Councillor attend any such meeting as an observer.

6.In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of Garden Route District Municipality involved in supply chain activities shall act with Integrity and in accordance with

the highest ethical standards

7. All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, and this Policy's Code of Ethical Standards

7. Supply chain management unit

- 1) A supply chain management unit is hereby established to implement this Policy.
- 2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.
- 3) The supply chain management unit shall operate as a centralised supply chain management function to administer and co-ordinate all the Supply Chain Management activities and functions of the municipality as described in this Policy unless a function or activity is specifically excluded by the accounting officer from the unit's term of reference
- 4) All Garden Route District officials shall act with integrity and adhere to the code of conduct of municipal staff contained in Annexure B of the Policy (Systems Act, schedule 2)

8. Training of supply chain management officials

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

Development Officer (HR) to facilitate the necessary training for the SCM officials to achieve the Minimum Competency Levels as required. Work based skills plan facilitated by Human Resources to form the basis for training of SCM officials.

CHAPTER 2: SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management system

This Policy provides systems for -

- (i) demand management;
- (ii) acquisition management

- (iii) logistics management
- (iv) disposal management
- (v) risk management
- (vi) performance management

Part 1: Demand management

10. Demand Management System

- 1) The accounting officer must establish, through operational procedures, and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic- goals as outlined in the Integrated Development Plan.
- 2) The Municipality's Integrated Development Plan (IDP) is a comprehensive strategic document setting out how the Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.
- 3) The demand management system to ensure that each Head of the Department has a yearly plan that will include the following:
 - a) include timely planning and management processes to ensure that all goods and services required by the municipality / respective departments are quantified and budgeted for. Timely and effectively planning is executed to ensure they are delivered at the right location, at the critical delivery date, and are of the appropriate quality and quantity at a fair cost; *(All Executive / Senior Managers to oversee the Yearly Planning for their respective departments)*
 - b) **take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;**
 - c) provide for the compilation of the required specifications to ensure that its needs are met.
 - d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
 - e) In dealing with suppliers and potential suppliers, the Municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

(4) Major Activities

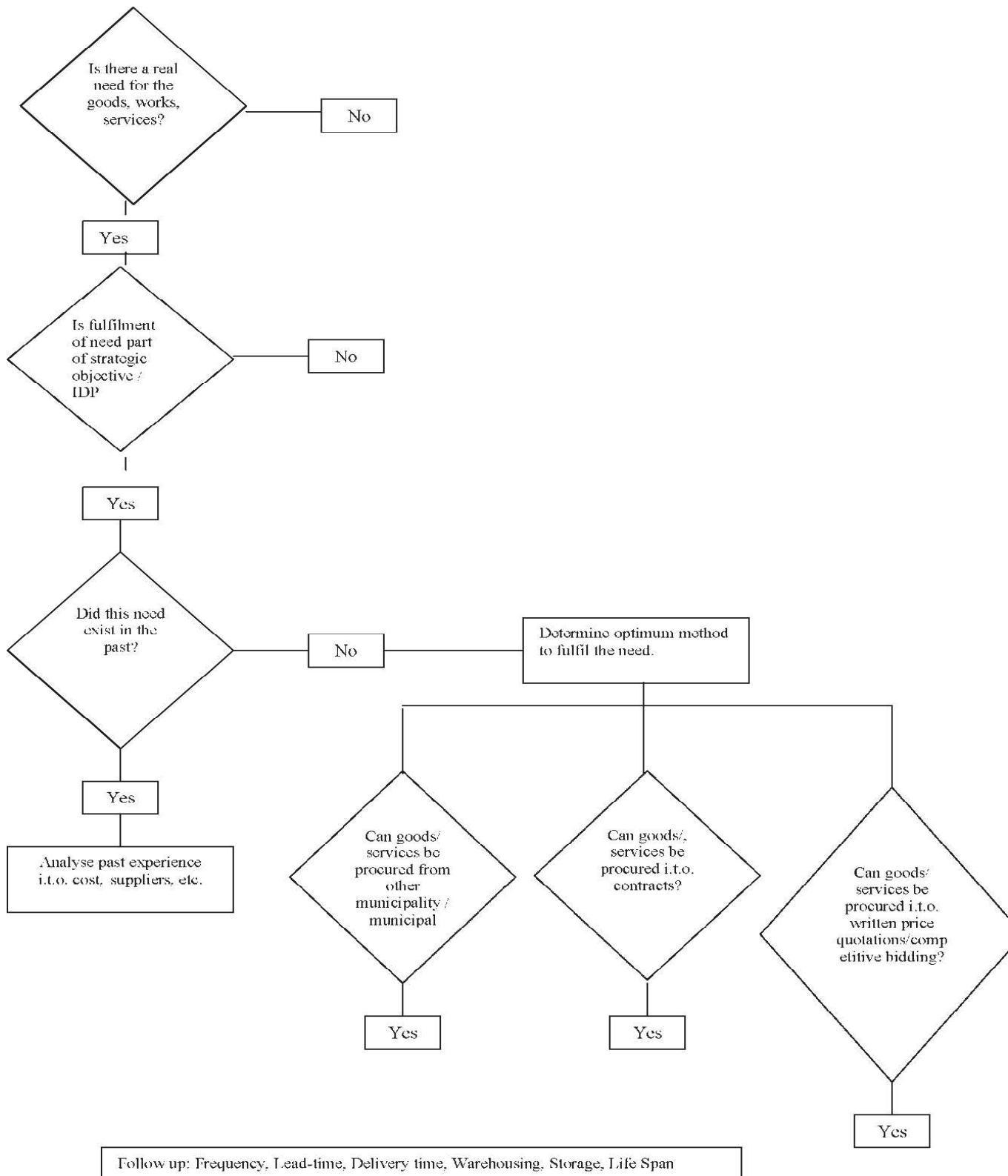
- a) Demand management to be executed following the tabling of the draft Integrated Development Plan (IDP) and draft budget by council or approval of the Adjustment budget by council, spending of funds subject to final approval of the budget by council and funds are available on the financial system.
- b) Establishing requirements
- c) Determining the needs
- d) Deciding on appropriate procurement strategy
- e) All procurement to be directly linked to the Demand Management Plan that will entail all envisaged planning for financial year ahead.
- f) Demand Management Plan of the respective departments to be reviewed by the Accounting Officer or Delegated Official and submitted to Supply Chain Management Unit for planning and execution.
- g) All deviations to be interrogated by the Accounting Officer against the Demand Management Plan and the Accounting officer to oversee the appropriate remedial steps to be implemented by the relevant executive / senior managers to prevent poor or lack of planning by departments

(5) Demand Management Plan to entail the following:

- a) establishing requirements and needs for the year ahead
- b) deciding on appropriate procurement strategies, use of quotations or bidding
- c) understanding the future needs;
- d) identifying the frequency of the need
- e) linking the requirement to the budget
- f) conducting expenditure analysis based on past expenditure
- g) determining requirement (including the internal capacity to implement)
- h) conducting commodity analyses in order to check for alternatives; and
- j) conducting industry analyses to establish market prices and strategic industry role players

Annexure:

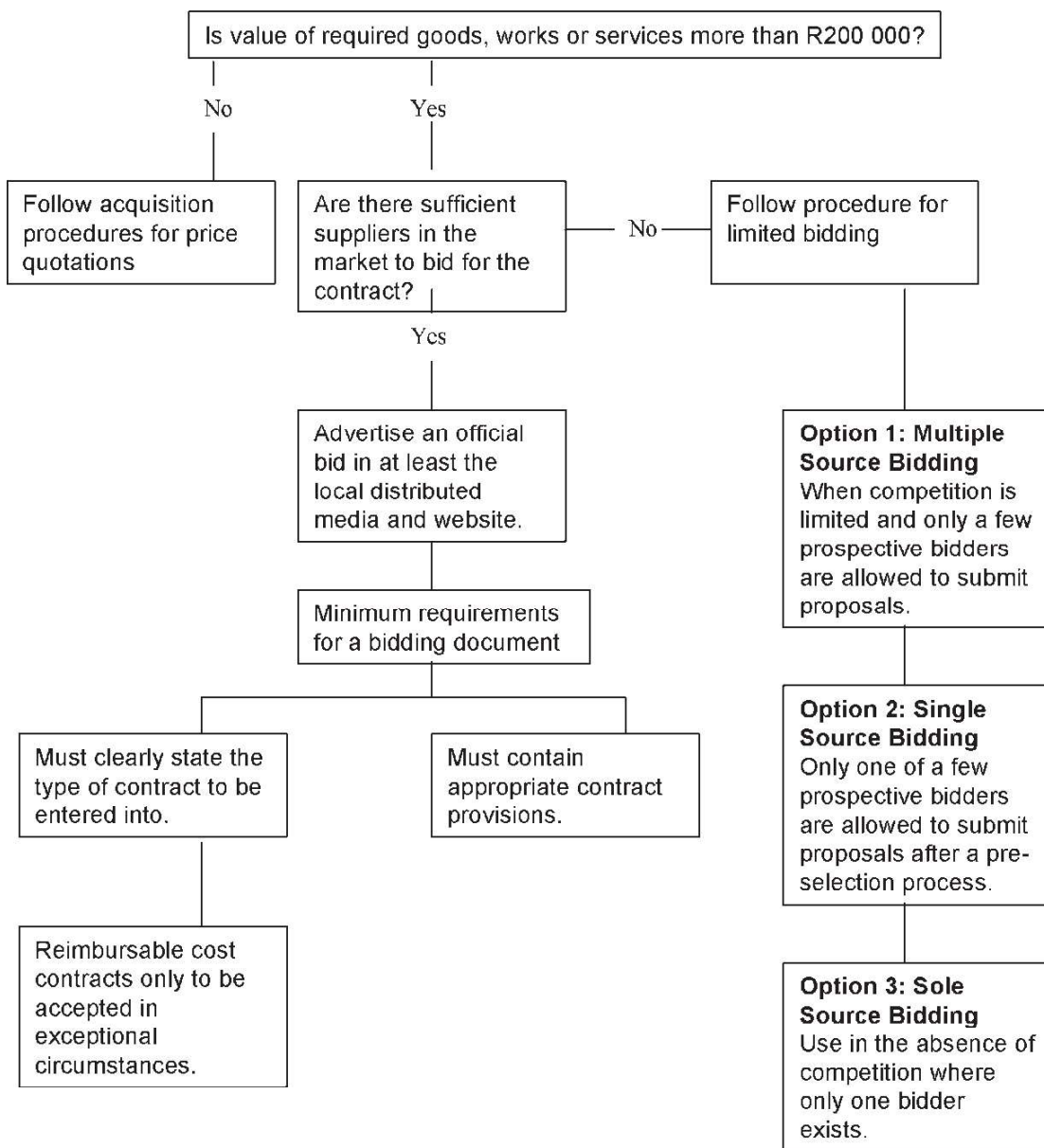
Flowchart of the Demand Management Process



Part 2: Acquisition management

11. Acquisition management System

- (1) The Objective of the System of Acquisition Management is to ensure –
- a) that goods and services are procured by the municipality in accordance with authorised processes only;
 - b) That expenditure on goods and services is incurred in terms of an *approved budget in terms of section 15 of the Act*;
 - c) that the threshold values for the different procurement processes are complied with;
 - d) That bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with any applicable legislation including PPPFA, and any condition of the CIDBA; and
 - e) That any Treasury guidelines / circulars on acquisition management are properly taken into account during the review of the SCM Policy.
- (2) When procuring goods or services contemplated in section 110(2) of the Act, including water from the department of Water Affairs, Public Entity, another municipality or a municipal entity; and electricity from Eskom or public entity, municipality or municipal entity; the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including –
- a) the kind of goods or services; and
 - b) the name of the supplier.



Strategic sourcing flow chart for competitive bidding for Items above R200 0000 (Source: The Accounting Officer's guideline for Supply Chain Management)

12. Range of procurement processes

- (1) Goods and services may only be procured by way of -
 - a) petty cash purchases may be used up to a transaction value of R2 000, in accordance with the provisions of the Petty Cash Policy
 - b) written quotations for procurements of a transaction value over R2 000 up to R30 000 (VAT included);
 - c) formal written price quotations (informal tender) for procurements of a transaction value over R 30 000 up to R200 000 (VAT included); and
 - d) competitive bidding process (formal tender) for procurement above a transaction value of R 200 000 (VAT included)
- (2) The accounting officer may, in writing-
 - a) lower, but not increase, the different threshold values specified in subparagraph 12(1); or
 - b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2000;
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000
 - (iii) informal tender process be followed for procurement below R30k
 - (iv) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy.
- (4) When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. General preconditions for consideration of written quotations or bids

A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

- (a) has furnished that provider's -
 - a. full name;
 - b. identification number or company or other registration number; and

- c. tax reference number and VAT number, if supplier is a register VAT vendor;
- (b) In the case of transactions exceeding R 30 000, including VAT:
 - (i) A valid Tax clearance certificate or service provider tax verification details (SARS Pin number for e-filing independent verification) must accompany the bid documents. (Status verification on the day of award) *(The onus is for the bidder to ensure that their tax matters are in order.)*
 - (ii) If the bid of the preferred bidder is not supported by a valid TAX Clearance Certificate, either as an attachment to the bid documents or on record in the case of suppliers registered on the Central Supplier Database of the National Treasury, the municipality reserves the right to request the Bidder to supply the municipality with a valid SARS (e-filing) TCS pin for independent verification on SARS e-filing within a prescribed period, failure of which will result in a disqualified bid. *(Within seven days of being notified by Supply Chain Management Office)*
- (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, 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 director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.
- (d) The Municipality is aware that not all service providers in the region are registered on the Central Supplier Database of National Treasury; although it's preferable and the intention of Government to limit transactions to registered suppliers on the National Treasury Central Supplier Database, the following is applicable to acquiring goods or services from service providers not registered on the database with regards goods and services below R30 000:
 - i. Where less than 3 services providers have been identified on the Central Supplier Database, alternative service providers not registered on the database maybe requested for additional quote(s) provided their tax matter are in order and can be independently verified on SARS e-filing. (Such service providers must be encouraged and assisted subsequently to register on the Central Supplier Database)
 - ii. Where quotations provided are not market related, prices quoted are

- significantly material above market price, an alternative quotation should be requested from an alternative vendor rendering the same goods and services even if not on the system vendor management system, provided their tax matters are in order and can be independently verified on SARS e-filing)
- iii. A declaration form to be attached to the requisition sent to the service provider not listed on the database requesting declaration of not being in the service of the state.
 - iv. Supplier to be provided with the Municipal Declaration form for regulation 44 vetting and SARS compliance
- (e) Where the chosen vendor to render services or supply goods is in accordance to section 13(d) of the Garden Route District Municipality's Supply Chain Management System, the following must take place
- i. Provision can be made for purchases to be made from such a supplier for transactions below R30K
 - ii. Suppliers not registered on the Central Supplier Database with whom the Municipality transacts with frequently to be encouraged to register on the National Treasury's Central Supplier Database.
 - a) Where services or goods delivered are once off the CFO to provide authorisation for direct payment,
 - b) Where it is likely that the similar service or goods requested will be required in the future, then DATA Unit to be approached to engage with the service provider and facilitate the process of the vendor registering on the Central Supplier database
 - iii. The user department must inform Data Unit in Finance Department of such a service provider and request that assistance be provided to the service provider to be registered on the Central Supplier Database.

14. Lists of accredited prospective providers

(1) The accounting officer must -

- a) at least once a year through website, newspapers commonly circulating locally, or any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers on the National Treasury's Central Supplier Database and the updated Municipal Supplier Database
- b) Ensure use of The National Treasury Central Supplier Database, which is the

database which lists the detail of all suppliers who have been registered and vetted in order to do business with the Municipality and Government

- c) Ensure Prospective suppliers to be assisted with registering on the National Treasury's Central Supplier Database at any time, www.csd.gov.za
 - d) Ensure Minimum criteria for prospective suppliers is to be registered and approved on the National Treasury Central Supplier's Database
 - e) disallow the registration of any prospective supplier whose name appears on the National Treasury's Database of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.
- (2) Vendors bidding for Informal/Formal tenders that are not registered on the National Treasury's Central Supplier Database are not precluded from submitting bids, but must however be registered and approved by the time the Bid is evaluated, failing which their bid may be declared non-responsive.
- a. All persons forming part of a Joint Venture or Consortium must be registered as such on the National Treasury's supplier Database and have obtained a joint venture or partnership B-BBEE certificate of the new entity.
 - b. Use of National Treasury's Central Supplier Database for procurement approved from the 31 December 2017

15. Petty cash purchases

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1)(a) of this Policy, are as follows –

1. Petty Cash management resides with the relevant Head of Department and in the absence of a Petty Cash policy the following shall apply:
 - a) Only an Executive manager may approve or authorize the petty cash voucher.
 - b) The authorized petty cash voucher with the slip must be filed and recorded in a petty cash register.
 - c) The petty cash box must be stored away in safe place when it is not in use.
 - d) The designated personnel managing the petty cash to keep record of all transactions with the supporting document and avail it for inspection when required so.
 - e) The Chief Accountant Expenditure to verify the petty cash reconciliation every

time it is replenished.

- f) Random cyclical petty cash review can be undertaken without prior notice where the need has been identified by the Office of the Chief Financial Officer.
- 2. each executive manager may allow petty cash purchases not exceeding an amount of R2 000 in each month;
- 3. a monthly reconciliation report from each executive manager must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.
- 4. the following types of expenditure may not be made from petty cash: all Labour or salary related expenditure

16. Written or verbal quotations

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

- a) Quotations must be obtained from at least three different providers preferably from National Treasury's Central Supplier Database, but not limited to, providers whose names appear on the list of accredited prospective providers, provided that if quotations are obtained from providers who are not listed, such providers can be requested to provide an a SARS e-filing pin for independent verification.
- b) to the extent feasible, providers must be requested to submit such quotations in writing;
- c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or official designated by the accounting officer;
- d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

17. Formal written price quotations

- (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:
- a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality and the National Treasury's central supplier database.
 - b) quotations may be obtained from providers who are not listed, provided that such providers are not listed on the national treasury's list prohibited suppliers;
 - c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
 - d) the accounting officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph (1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows, 1:

- a. when using the list of accredited prospective providers the accounting officer must promote on-going competition amongst providers by inviting all relevant providers to submit quotations. Rotation basis to be considered where pricing is competitive between bidders otherwise normal SCM process to be followed for an award.
- b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations (Informal Tender) must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the

website, an official notice board of the municipality and e-tender publication portal

- c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- d) the accounting officer or chief financial officer must 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;
- e) offers up to R10 000 (VAT included) must be awarded based on compliance to specifications, ability and capability to deliver the goods and services and lowest price;
- f) Council to consider use of rotation basis for requesting Quotations up to R10 000 (VAT Included), to avoid supplier fatigue and encourage a broader allocation of work.
- g) offers up to R30 000 (VAT included) and above R10 000 must be awarded based on price (formal written quotation) after consideration of compliance to specifications, conditions of contract, ability and capability to deliver the goods and services
- h) the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations and formal written price quotations is not abused
- i) requirements for proper record keeping must be adhered to, such as:
 - i. completion of documents for audit purposes;
 - ii. ensuring the correctness of documents;
 - iii. before awards are made, proper review of documents must be undertaken.

19. Competitive bidding process

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, subject to paragraph 11(2) of this Policy.
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.

3. Verification by the Chief Financial Officer prior to advertisement of bids above R10 million. The following information must be submitted by the executive/senior manager responsible for the vote to the CFO **prior** to the public advertisement of any bids in excess of R10 million (all applicable Taxes included):
 - (i) Proof that the budgetary provision exists for procurement of the goods and services and /or infrastructure projects;
 - (ii) Any ancillary budgetary implications related to the bid, for example, if the project is for the acquisition of a municipal asset, does budgetary provision exist for the operation of the asset, maintenance cost relating to the asset, administration costs and rehabilitation/renewal costs;
 - (iii) Any Multi-years budgetary implications, for example, if the project will take more than one financial year, the estimated expenditure per financial year
 - (iv) Goods, service and/or infrastructure projects above the value of R10 million (all applicable taxes included) may only be advertised after the CFO has verified in writing that budgetary provision exists for the commencement of the particular project
 - (v) Requirements may not be deliberately split into part or items of lesser value merely to avoid the information being submitted
 - (vi) Contracts above the value of R10 million (all applicable taxes included) may only be awarded to the preferred bidder after Chief Financial Officer has verified in writing that the budgetary provision exists for the acquisition of the goods, infrastructure projects and/or services and that it is consistent with the Integrated Development Plan.

20. Process for competitive bidding

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

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;

- (f) Award of contracts as detailed in paragraph 29;
- (g) Administration of contracts
- (h) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (i) Proper record keeping
- (j) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

21. Bid documentation for competitive bids

The criteria with which bid documentation for a competitive bidding process must comply in addition to the requirement as listed in section 13, must –

- (a) take into account -
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the evaluation and adjudication criteria, including any criteria required by other applicable legislation or Policies adopted by council, Preferential Procurement Policy;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (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.
- (f) compel bidders to declare their previous supply chain management practices and state whether or not they:
 - a. have been found guilty by a court of law or a structure established by council or the accounting officer for handling alleged abuses of the Municipality or the municipal entity's supply chain management system or committed any improper conduct in relation to such a system
 - b. have been convicted of fraud or corruption during the past five years
 - c. have wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years
 - d. have been listed on the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt activities Act 12 of 2004.

22. Public invitation for competitive bids

- (1) The procedure for the invitation of competitive bids, is as follows:
 - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality, e-Tender Publication Portal of National Treasury 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 (2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality ;and
 - (iii) date, time and venue of any proposed site meetings or briefing sessions.;
 - (iv) In accordance with MFMA circular 83, advertisement of bids and the publication of notices in respect of awarded bids, unsuccessful bids, cancelled bids, deviations, variations and extensions of existing contracts of a municipality to be published on the e-Tender publication Portal from date of approval of the policy.
 - (v) Notices of cancelled bids must be published on the same day, or at least the day after a municipality decided to cancel a bid on e-Tender Publications Portal.
 - (vi) Notices of all awards to suppliers through deviations from competitive bidding, Awards through variations and extensions of existing contracts; must be published on the e-Tender Publications Portal within seven working days after the award was made
 - (vii) Bid documentation obtained from the municipality in hard copy to be disbursed at a nominal charge as set in the approved tariff structure of council; alternatively a soft

copy may be obtained from the website at no cost.

- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process. (Reasons must be justifiable and recorded and not seen to favour any one bidder and prejudice competitive bidding)
- (3) Bids submitted must be sealed
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies

23. Procedure for handling, opening and recording of bids

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

- (a) Bids-
 - i. must be opened only in public;
 - ii. must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - iii. received after the closing time should not be considered and returned unopened immediately.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (d) The accounting officer must -
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and publish the entries in the register and the bid results on the website.
 - (iii) After the closure of any advertised competitive Bid, Garden Route DM must publish information in terms of section 75 of the MFMA; on the municipality's website.

24. Negotiations with preferred bidders

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation—
 - 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.
- (2) Minutes of such negotiations must be kept for record purposes.

25. Two-stage bidding process

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

26. Committee system for competitive bids

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
 - (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee.
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and

- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with -
 - (a) paragraph 27, 28 and 29 of this Policy; and
 - (b) any other applicable legislation.
- (5) Informal tenders to be evaluated and awarded by the Bid Evaluation committee

27. Bid specification committee

- (1) A bid specification committee should only review specifications compiled by the user department only after being signed off by the head of the user department.
 - a) Head of the Department should satisfy themselves that all tenders initiated in the department, formal or informal are aligned or included in the Department's Demand management plan and provided for in the approved budget or adjustment budget
 - b) Every tender, formal or informal, before being submitted to the Supply Chain Management Unit must have the following:
 - a) User Department to identify the appropriate person(s) to compile the relevant specification
 - b) Ensure that the relevant technical expertise would be available in assessing the Technical requirements
 - c) The Risk officer to be invited to all Bid Specification Committee meeting as part of the risk assessment process. Risk assessment may include the content below or alternative as the risk officer may deem appropriate:
 - a) –
 - I. **Legislative/legal requirements** – prescripts that govern process and legislative requirements
 - II. **Deliverables** – predefine the deliverables and parameters, no open ended contracts with specific reference to use of consultants
 - III. **Time frames** – critical deadlines to be defined,

realistic time frames set

- IV. **Municipal resources** – funding of the project is provided in the approved budget, either as own resources or alternative funding sources
- V. **Costs** – project roll out cost to give a realistic indication of market conditions (basis for assessing value for money)
- VI. **Political Risk** – Item linked to Integrated Development Plan of the municipality

(2) Final specifications –

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Garden Route District Municipality’s Preferential Procurement Policy; and
- (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph

22 of this Policy.

- (3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved if not a member of the Bid Adjudication Committee, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
- (5) It is preferable that the Accounting officer nominate municipal officials and establish a permanent Bid Specification Committee composed of varying expertise. Specific technical expertise to be co-opted on an ad hoc basis for a specific commodity or goods if needs be
- (6) should a member declare a conflict of interest at any stage, the member may not form part of the Bid Specification Committee and if necessary to reach a quorum the member must be replaced by a member of suitable expertise.

28. Bid evaluation committee

- (1) A bid evaluation committee must -
 - (a) evaluate bids (formal & Informal) in accordance with -
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27(2)(f);
 - (b) evaluate each bidder's ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - (d) submit to the Bid Adjudication Committee a report and recommendations regarding the award of the formal bid or any other related matter.
 - (e) evaluate and award Formal written quotations (Informal Tender)
- (2) A bid evaluation committee must as far as possible be composed of-
 - (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.

- (c) It is preferable that the Accounting officer to nominate municipal officials and establish a permanent Bid Evaluation Committee composed of varying expertise. Specific technical expertise to be co-opted on an ad hoc basis for a specific commodity or goods if needs be
- (d) Should a member declare a conflict of interest at any stage, the member may not form part of the Bid Evaluation Committee and if necessary to reach a quorum the member must be replaced by a member of suitable expertise

29. Bid adjudication committee

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

- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5)
 - (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid -
 - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (ii) notify the accounting officer.
 - (b) The accounting officer may -
 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation
 - (i) *Should an award be made to a bidder not recommended by the Bid Evaluation Committee on justifiable grounds, the decision must be noted and made available to the Auditor general for audit purposes.*
- (7) The accounting officer must comply with section 114 of the Act within 10 working days.
- (8) Should a member declare a conflict of interest at any stage, the member may not form part of the Bid Adjudication Committee and if necessary to reach a quorum the member must be replaced by a member of suitable expertise

30. Asset Disposal committee

- 1) The accounting officer or delegated authority will implement a mechanism to dispose of movable and immovable assets.
- 2) The accounting officer to establish an Asset Disposal Committee / Property Task Team, composed of line managers / designated personnel and on ad hoc basis may co-opt additional members with specific expertise
 - a) Line manager are regarded as asset managers / designated personnel
 - b) The nominated Asset Disposal Committee/ Property Task Team to oversee the asset disposal process of the municipality
- 3) Asset Disposal Committee / Property Task Team to meet as needs be in the financial year and assess any formal requests for Asset Disposals
- 4) Asset disposal dates to be determined by the committee following an assessment of the assets to be disposed
- 5) Detailed records of the committee, for reporting purposes, must be kept of all activities and should consist of at least, but not limited to,
 - a) Disposal verification schedule
 - b) Disposal schedule
- 6) Asset Disposal Committee / Property task team to establish a Disposal Management Standard operating procedure in accordance to the Supply Chain Management policy and aligned to the Asset Management Policy.
- 7) The committee to assess and ensure adequate insurance cover for Council Properties within the risk appetite of council

Specialised Forms of Procurement

31. Procurement of banking services

- (1) Subject to section 33 of the MFMA, any contract for banking services –
 - (a) shall be procured through competitive bids;
 - (b) shall be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1).

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

32. Procurement of IT related goods or services

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

33. Procurement of goods and services under contracts secured by other organs of state (piggy backing)

- (i) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if -
 - a. the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - b. there is no reason to believe that such contract was not validly procured;
 - c. there are demonstrable discounts or benefits to do so;
 - d. that other organ of state and the provider have consented to such procurement in writing.
 - e. the initial contract agreement needs to be valid and binding at the time "of piggy backing "; once the contract is

- terminated there is no longer a contract to “piggy back” from
- f. where a contract is not linked to a period with a particular end date, the contract will terminate once the obligation outlined in the contract are completed or the final object is received and accepted.
 - g. any other organ of state wishing to “piggy back” from contracts as mentioned in subsection (1)(f) can only be granted permission while current contract with Garden Route District Municipality is active. (if contract has lapsed section 32 application may not be granted)

(ii) Subparagraphs (1)(c) and (d) do not apply if -

- a. a municipal entity procures goods or services through a contract secured by its parent municipality; or
- b. a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

34. Procurement of goods necessitating special safety arrangements

- 1. the acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- 2. Where the storage of goods in bulk is justified, such justification must be

based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

35. Proudly South African Campaign / Proudly Garden Route Campaign

- (1) The municipality supports the **Proudly SA Campaign** to the extent that local industries can provide such goods and services
 - a)
 - b) Any prequalification criteria in the acquisition of goods or services that seeks to address localisation and empowerment local entities; must be in accordance with an approved Local Economic Development Strategy or Policy of Council that is in line with relevant regulatory framework or statute.
- (2) The district to develop and support Proudly Garden Route Brand and products with the aim to support of the regional economic strategy and developing a vibrant economy within the Garden Route economic corridor.

36. Appointment of consultants

- (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.
- (2) Consultancy services must be procured through competitive bids if
 - (a) the value of the contract exceeds R 200 000 (VAT included); or
 - (b) the duration period of the contract exceeds one year
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of -

- a. all consultancy services provided to an organ of state in the last five years; and
 - b. any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.
- (5) Should the Municipality have a Council approved Policy with regards to the appointment of consultants that is aligned to Treasury Guidelines; such policy would override this section of the Supply Chain Management Policy.

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

- (1) the accounting officer may -
 - (a) dispense with the official procurement processes established by this Policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only
 - I. in an emergency and subsequently the department to take into account in the review of their annual Demand Management Plan
 - 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
 - V. in any other exceptional case where it is impractical or impossible to follow the official procurement processes e.g. any purchase on behalf of the District Municipality at a public auction sale; and
 - (b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs 37(1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.
- (4) Emergency Dispensation – Conditions warranting Emergency dispensation include the existence of one or more of the following
 - i. The possibility of human injury or death
 - ii. The prevalence of human suffering or deprivation of rights
 - iii. The possibility of damage to property, or suffering and death of livestock and animals
 - iv. The interruption of essential services, including transportations and communication facilities or support services critical to the effective functioning of the District or the B Municipalities within the District
 - v. The possibility of serious damage occurring to the natural environment
 - vi. The possibility that the security of the state could be compromised
- (5) Single Source selection – Justification for single source selection must be examined in the context of the overall interest of the Garden Route District Municipality and the project
 - i. Single source selection may be appropriate only if it represents a clear advantage over competition for services that represent a natural continuation of previous work carried by the consultant, and continuity of downstream work is considered essential.
 - ii. The reasons for single source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract.
 - iii. Detailed specification with defined scope and details of deliverables must be set before work can commence guiding the consultants and providing set the parameters to which they may operate with. No contract may be open ended without addressing specific needs analysis approved by the Accounting Officer or delegated authority beforehand.

38. Transversal bids

- 1) Accounting officer or delegated authority to approve initiation (shared services) or participation of transversal bids by Garden Route District Municipality
- 2) Transversal bids will only be relevant when the municipality wishes to invite a tender/bid itself and other municipalities or wishes to participate in a tender together with other municipalities or organs of state from the initial phase or it is prescribed through a circular by the National Treasury.
- 3) This form of bidding is different than when participating in a tender invited by another organ of state as referred to in SCM Treasury regulation 32 or section 33 of the Garden Route District Supply Chain Management Policy
- 4) Chief Financial Officer to arrange and provide advice, assist and guide the transversal procurement process and ensure that technical and governance requirements are met
- 5) Arrange implies drawing up a business case, obtaining formal approval from affected municipalities and the Accounting Officer to proceed, the planning, organising, logistical and bid administration requirements by the custodian Municipality
- 6) Where transversal bids are contemplated, it should result in lower unit cost or economies of scale or other corporate advantage as demonstrated by the required business case.
- 7) Where the custodian municipality other than Garden Route District Municipality has identified the need for transversal tender, it must ensure that the procurement of goods or services or both is procured in terms of the section 217 of the constitution of the Republic of South Africa and any other relevant legislation and prescripts
- 8) Formal written consent must be obtained by the participating municipalities or other organs of state before the tender process is initiated.
- 9) When Garden Route District Municipality initiates the transversal tender written consent obtained from the accounting officers of other municipalities or organs of state must mention a review and consensus of needs analysis, specification, risk assessment and, defined desired outcomes
- 10) The Custodian Municipality will take full responsibility for the arrangement and conclusion of the bid process, inclusive of the formalisation of the contracting arrangements noting that each participating municipality, depending on the

requirements and the nature of the contract, may have to sign a separate service level agreement with the selected service provider.

- 11) Provision in the agreement amongst participating municipalities or organs of state should make provision for participating entities to second their own official with the relevant expertise to participate, observe or offer advice to the initiating entity.

39. Unsolicited bids

- 1) In accordance with section 113 of the Act, Garden Route Council is under no obligation to consider unsolicited bids received outside a normal bidding process.
- 2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if
 - a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - c) the party or entity that has made the unsolicited 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 and justifiable by the accounting officer subject to relevant consultation.
- 3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act together with –
 - a) reasons as to why the bid should not be open to other competitors;
 - b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- 5) The adjudication committee may consider the unsolicited bid and may

award the bid or make a recommendation to the accounting officer, with comments from
Provincial and National Treasury

- 6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 7) When considering the matter, the adjudication committee must 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.
- 8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

40. Combating of abuse of supply chain management system

- (1) The accounting officer must-
 - a) take all reasonable steps to prevent abuse of the supply chain management system;
 - b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - c) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - d) Reject any bidder if they are listed as non-compliant on the National

Treasury's Central Supplier Database

- e) 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;
 - f) 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;
 - g) 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
 - h) reject the bid of any bidder if that bidder or any of its directors –
 - i. has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - ii. has been convicted for fraud or corruption during the past five years;
 - iii. has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - iv. has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii),
(f) or (g) of this policy.
- (3) The Municipality takes cognisance of the provisions of Chapter 2 of the Competition Act no. 89 of 1998

- PART A - Restrictive practices;
- PART B - Abusive of a Dominant position; and
- PART C - Exemption from application of chapter 2.

(4) The accounting officer must also provide measures for the invalidation of recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendation or decisions that were made, taken or in any way influenced by:

- i. Councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors in schedule 1 of the Systems Act; or
- ii. Municipal officials in contravention of item 4 or 5 of the Code of Conduct for the Municipal Staff member set out in schedule 2 of the Systems Act

(5) The Bid Adjudication and Evaluation Committee to take cognisance of the provisions of the Competition Act no 89 of 1998 during the evaluation and award of the tender.

(6) Accounting Officer or any other delegated personnel of Garden Route DM, is prohibited from deliberately placing order for goods, service and /or infrastructure projects from suppliers, receiving such goods, services and/or infrastructure projects and arranging with suppliers for such goods, services and/or infrastructure projects to be invoiced and paid for in another financial year

(7) The above prohibition does not apply to multi-year contracts and projects adopted over multi-years in terms of the MFMA sections 19 and 33.

40 (B). CONTRACT MANAGEMENT

(1) All contracts entered into by the municipality in the tender process referred to in paragraph 18 &19 of this Policy must:

- a. Be in writing
- b. Stipulate the terms and conditions of the contract or agreement which must include provisions for providing for:
 - I. The termination of the contract or agreement in the case of non or under performance
 - II. Dispute resolution mechanisms to settle disputes between parties
 - III. A periodic review of contract or agreement
 - IV. Any other matters as maybe prescribed

- c. Include General conditions of contract as prescribed by national treasury
 - d. Specify the duration of the contract
 - e. Specify the repayments terms in respect of the goods or services supplied
 - f. Be monitored by the Directorate of the municipality which requested the goods and services to ensure that all the contracts requirements are met.
- (2) Unauthorised or breaches of the contract as in paragraph 40(B) above by the supplier or service provider must be reported to the Legal Department for initiating appropriate action as well as to the SCM Unit which must record the details of such deviation and breaches.
- (3) Departmental Heads shall be responsible for ensuring that contract managers:
 - a. Are assigned to all contracts within the department Head's area of responsibility
 - b. Are adequately trained so that they can exercise the necessary formalities in signing up the contract and/or issuing the purchase order(s);
 - c. Ensure that contracts related to the procurement of goods and services are captured on the Municipality's record management system
 - d. Ensure that all original contract documentation is lodged at registrar
 - e. Manage all contract variations and ensure any variations are administered in accordance with any treasury guidelines or relevant statute
 - f. Manage any contract disputes and lodge with the relevant authority and the legal department where disputes could not be resolved
 - g. Ensure suppliers performance review is undertaken against the project deliverables
 - h. Maintain appropriate formal records and correspondence regarding the project and contract for reference point
 - i. Act with care and diligence and observe all accounting and legal requirements
- (4) Management of expansion or variation of order against the original contract: The expansion or variation of contracts against the original contract and prevention of contract manipulation.
 - a) Contracts may be expanded or varied by not more than 20% of the original value for Construction related goods, services and/ or

infrastructure projects.

- b) Contracts for all other goods and/or services may be varied by not more than 15% of the original value of the contract.
- c) Any expansion or variation in excess of the above mentioned thresholds must be dealt with in terms of the provisions of section 116(3) of the MFMA which will be regarded as an amendment to the contract
- d) The above is not applicable to transversal term contracts, facilitated by the relevant treasuries on behalf of Municipalities and specific term contracts. The latter refers to contracts where required quantities are not specified or are unknown and the award is based on creating a facility.

Part 3: Logistics, Disposal, Risk and Performance Management

41. Logistics management

- (1) The accounting officer must establish and implement an effective system of logistics management, which must include -
 - a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
 - d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
 - e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
 - g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

General Logistics

(2) Placing Orders

- a) Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations on Garden Route District Document Management System or financial system.
- b) Purchase order approval will be system based and authorised by the delegated authority (No manual process to be followed unless in exceptional circumstances, financial system is not accessible for unreasonable prolonged periods without clear indication when the system malfunction would be restored or there is power shortages or there is no power back up in place, however approval in writing to be obtained from the Chief financial officer authorising such process and giving guidance on the ratification process)
- c) All purchases orders will be captured on Garden Route District's Financial and or Document Management System at stores, and ensure that proper audit trail exist. (no one may issue an order apart from a delegated officials)
- d) In respect of goods and services (with exception of professional services where there are other mechanisms place for accepting a bid), no work shall commence or goods be delivered before an official order has been placed with the vendor
- e) Garden Route District Municipality shall not be held liable for payment of any goods delivered or services rendered in contravention of clause (41)(2)(d) of the Garden Route District Municipality

(3) Receiving of Goods

- 1) Goods received note (GRV) will be completed for all goods and services received by the municipality in the following manner:
 - I. Goods delivered or services rendered to be received by the user department that issued the requisition at the location indicated in the requisition and the purchase order unless if it's a store item that should be delivered at the municipality's respective stores.
 - II. The official receiving the goods must inspect and agree the content of

service provider's delivery note to Garden Route District Municipality's official order placed and agree to the following:

- a) Delivery note to indicate Garden Route District Official Order number and the official to confirm the order number to be legitimate
 - b) Description of the type of goods on the delivery note, brand, the quantity of goods and the total cost of the goods or service to be agreed to the official order before any acceptance of goods and signing off of any delivery document
- III. Deliveries where no official orders can be matched to an official order may not be accepted by the municipality, acceptance of such is seen as exposure of Council to Financial Risk
- IV. On matching of the delivery note to the purchase order, the receiving official to inspect the goods or service being delivered against the content of the delivery note and the following to be agreed as faithful representation at hand:
 - a) The description of goods and services being delivered or rendered to the municipality
 - b) The quantity of goods being delivered
 - c) The quality of the goods or service being delivered or rendered to the municipality (damaged goods or goods with past expiry period may not be accepted)
- V. Any discrepancies, shortfalls against the order, damaged goods, incorrect goods or any other discrepancy to be recorded in permanent marking and signed off by both the Municipality's receiving official and the supplier and delivering agent.
- VI. Goods exceeding the quantities ordered or deviating from the description or quality should not be accepted and should be noted and communicated to the supplier formally and communicated to Finance Department (Creditors Unit)

- VII. On acceptance of the Goods or services subsequent to the above mentioned process, an internally generated Good Received Note should be generated recording the goods or services received and their quantity and total cost and signed off.
- VIII. All relevant documentation (original documentation) related to any delivery of goods or receipt of service from external service providers to be sent to Finance Department (Creditors unit immediately)
- IX. Failure to record crucial information and omission of discrepancies that result in the municipality incurring a financial loss will be dealt with in accordance with municipality's disciplinary code of conduct or the equivalent.
- X. Failure to forward all the relevant documentation to creditors department timeously can result in appropriate actions against the responsible official

(4) Stock Logistics

- I. Stock or inventory to be valued as per accounting policy of the Municipality in line with the relevant accounting practise
- II. Input VAT to be claimed upon purchase and output VAT is accounted for at the time of issue according to the accounting policy
- III. Stock items shall be systematically replenished using the re-order point or minimum level as set in the financial system
- IV. Issuing of stock shall be systematically administered through the financial system against internal orders or requisitions that are duly authorised
- V. Stores function is centralised and managed through the 3 stores of the municipality, George, Oudsthoorn and Riversdale. (Fuel through the stores and fuel depots)

42. Disposal management

- (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets are as provided in **sections 14 and 90** of the Municipal Finance Management Act, and the Municipal Asset Transfer Regulations, 2008.
- (2) Assets may be disposed of by -

- 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 (Follow Preferential Procurement Policy on Income Generating procurement); or
- iv. destroying the asset.
- v. In terms of the donations policy

(3) The accounting officer must ensure that –

- a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- e) all fees, charges, rates, tariffs, scales of fees or other charge relating to the letting of immovable property are annually reviewed;
- f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

43. Risk management

- a) Risk Management unit, to be serve as part of the Bid Specification Committee and Bid Evaluation Committee in facilitating and evaluation of risk identified in the procurement of goods and services.
- b) Risk management assessment will be guided by the risk assessment process in line with Risk Management guidelines and standards. The process may include the following:

- i. The identification of risks on a case by case basis
 - ii. The allocation of risks to the party best suited to manage such risks;
 - iii. Acceptance of the cost of the risk where the cost of transferring the risk is higher than that of retaining it
 - iv. The management of risk in a pro-active manner and the provision of adequate cover for the residual risk; and
 - v. The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation
- c) Risk management will duly assess corporate risk and identify mitigating controls

44. Performance management

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

44 (A).

- 1) The official that receives goods or services on behalf of the Council, or manages the contract which was entered into as a result of a competitive bidding process, to ensure that the goods or services have been delivered in accordance with the service level agreement governing the contractual relationship
- 2) In the case of non-performance or unsatisfactory performance by a supplier, the user department concerned, in consultation with contracts management unit, must issue a notice to the supplier or service provider in writing notifying them of terms contravened and requesting immediate remedial action to comply with the contract terms; failing which:
 - Legal Services / contracts management unit to be consulted for appropriate action.
- 3) In the case of goods and services supplied in response to a quotation invited by the municipality, the official that initiated the requisition or received the goods or services on behalf of council, should complete a goods received voucher (GRV) and note any discrepancies that may require the attention of the service provider if any.
- 4) In the case of goods or services procured through a tender process as specified in terms of the policy, paragraph 18(b) and 19, the contract manager or designated person must ensure that goods or services requested have been provided in accordance with service level agreement before the final payment is settled..
- 5) Final review should consider the following:
 - a) Satisfactory element of the quality and standard of the goods and services received and quality of workmanship.
 - b) Include details, supported by formal written notifications to the supplier regarding non- performance or poor service delivery.
 - c) Include recommendation on any further actions to be taken against the supplier in terms of paragraph 40 B of the policy.

Part 4: Other matters

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

45.

- (1) No award from R30 000 and above may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.
- (4) In cases of uncertainty on Tax affairs of the service provider, Service provider to provide the municipality with SARS e-filing pin code for independent verification by the municipality.
- (5) That Garden Route Council adopt MFMA circular No. 90, Tax Compliance Status, in the finalisation of awards made for transaction above R30 000 on Tax related matters.

Prohibition on awards to persons in the service of the state

- 46.** Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy-
- a) who is in the service of the state
 - b) if that person is not a natural person, of which any executive 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.

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

- 47.** The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -
- (a) the name of that person;
 - (b) the capacity in which that person is in the service of the state; and
 - (c) the amount of the award.

48. Ethical standards

- (1) The code of ethical standards as set out in the "*National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management*" is hereby established for officials and other role players in the supply chain management system of the Municipality in order to promote -
 - a. mutual trust and respect; and
 - b. an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) A breach of the code of ethics must be dealt with as follows -
 - a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

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

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant -
 - a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - b) any reward, gift, favour or hospitality to -
 - I. any official; or
 - II. any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph
 - (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to

have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

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

50. Sponsorships

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

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

51. Objections and complaints

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

52. Resolution of disputes, objections, complaints and queries

- (1) The accounting officer 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.

- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
 - a) strive to resolve promptly all disputes, objections, complaints or queries received; and
 - b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if -
 - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (5) 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.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

53. Contracts providing for compensation based on turnover

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

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

54. Construction Industry Development Board (CIDB)

The Construction Industry Development Board (CIDB) has been established by government to promote uniform application of policy to the construction industry.

a) ***When calling for construction related bids:***

- I. The prescribed CIDB (uniformity bid documents) must be utilised
- II. Only contractors registered with CIDB may be used
- III. All projects must be advertised on the i-tender or e-tender system
- IV. Consultants used in the procurement process must adhere to the CIDB legislation
- V. Consultants used in the procurement process are prohibited to provide goods, works or service related to the project; and
- VI. Subcontract arrangements and joint venture initiatives must be aligned to CIDB guidelines and requirements

b) ***When evaluating construction related bids***

- I. The validity of the contractor's registration on the CIDB website must be verified
- II. The bidders documents must be assessed against the prescribed CIDB contractor requirements
- III. Calculations for joint venture grading must be done according to the CIDB prescriptions

c) ***All construction related procurement and projects above minimum threshold R50 million should be undertaken in accordance with the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM) – Refer to Annexure C***

d) **Other matters**

- I. all projects approved by the municipality must be registered with the CIDB
- II. contracts registered on the i-tender systems must be update and completed
- III. non-performance and non-compliance of contractors must be **reported to the CIDB as per CIDB guidelines**

55. Commencement

This Policy takes effect on date of adoption by council and should be reviewed annually.

ANNEXURE A

PROCESS FOR THE OBTAINING OF GOODS AND SERVICES

The following process must be followed in terms of the Municipal Finance Management Act, Act 56 2003, Garden Route Supply Chain Management Policy and the Supply Chain Regulations to obtain goods and services.

1. PURCHASES

1.1 Purchase of all goods/services (capital and non-capital)

Value of Goods and Services	Procurement Method	Delegated Approval Authority	SCM Policy
➤ R0 – R2000	Petty Cash	Executive Manager	Supply Chain Management Policy S12(1)(a)
➤ R 2 000 up to R 30 000 (VAT Incl.)	Minimum of 3 x written quotations preferably selected from supplier database or central supplier database,	As per delegation register	Supply Chain Management Policy S12(1)(b)
➤ R 30 000 but up to R 200 000 (Informal Tenders)	Informal Tender process; (successful bidder must be registered on the National Treasury's Central supplier Database)	As per delegation register	Supply Chain Management Policy S12(1)(c)
➤ R200 000 or Long Term Contracts (Formal Tenders)	Formal Tender process to be followed. (Successful Bidder – CSD Registered)	As per delegation through the appointed Supply Chain Management Bid Committees.	Supply Chain Management Policy S12(1)(d)
Deviation below 10k	Through procurement system of the municipality	Final approval by the Executive Manager of the Department	Supply Chain Management Policy
Deviations above R10 000	Through procurement system of the municipality (Tax Clearance in order & not in the employ of the state)	Final approval by the Municipal Manager	Supply Chain Management Policy

2. REQUISITIONS

Requisitions must be approved in terms of the relevant delegation register as approved by the Accounting Officer or delegated authority.

3. ORDERS

I. Capital purchases

Requisitions are verified by the Asset Management Section.

II. Non capital purchases

All orders are issued through Stores.

4. **SUPPLY CHAIN MANAGEMENT POLICY**

A. **>R 0 – R30 000: 3 x Written Quotations**

- i. User department or initiator to put in requisition to the Buyers to obtain a minimum of three quotations. Preference to be given to suppliers listed on the National Treasury's Central Supplier Database, however if there is less than three suppliers identified on the database, potential additional suppliers not listed on the database to be identified and requests for quotation obtained.
- ii. If the preferred supplier is not listed on the Database the following to occur:
 - a) Procurement to take place through an approval by the CFO for direct payment to be obtained. Minimum supplier listing criteria to be fulfilled, i.e. Tax Clearance Certificate, regulation 44 declarations etc.
 - b) User departments to identify Key service providers within their operations and urge them to register on the National Treasury's Central Supplier Database
 - c) Deviations below Quotation R 10 000 to be approved by the Executive Manager of the relevant department.
 - d) The order number will be generated by the chief clerk at stores and forwarded to User department for action

B. **R30 000 – R200 000: 3 x Informal tenders**

- i. User department to initiate the procurement process by compiling specifications and forwarding them to Supply Chain Management via the electronic procurement system. (Specifications approved by the Head of the Department)
- ii. SCM Unit to facilitate the procurement process throughout the procurement life cycle until the award.

Procurement Life Cycle to involve the following:

- a) Specifications to serve before the specification committee
- b) Approved specifications will be advertised on the website, e-tender, notice board and send to potential suppliers registered on the accredited supplier database subject to review by Specs Committee and sign off by the Accounting Officer
- c) On submission, Informal tenders must be placed in the tender box and

will be opened on the closing date as per time specified on the advertisement.

- d) Summary of informal tenders will be compiled by Supply Chain Management Officer.
- e) **User department to provide the technical evaluation against pre-set evaluation criteria and submit to SCM Unit to evaluate the Responsive**
- f) Formal Written Price Quotations(Informal Tenders) will be evaluated and awarded by the Bid Evaluation Committee
- g) Competitive Bids (Formal tenders) will be evaluated by the Bid Evaluation committee and recommendation submitted to bid adjudication committee for final award.
- h) Service Level Agreements to be compiled by legal services for all goods and services procured through Informal and Formal Tenders; signed off by both parties before goods and services may be procured

C. >R200 000: Formal Tenders & Long Term Contracts

- i. User department sends a request for a formal tender through to SCM Unit via Collaborator with the specifications.
- ii. SCM Unit to facilitate the procurement process throughout the procurement life cycle until the award.

Procurement Life Cycle to involve the following:

- iii. Specifications to serve before the specification committee
- iv. Reviewed and approved specifications to be approved by the accounting officer and Executive Manager of the department initiating the tender before advertising takes place
- v. Approved specifications will be advertised on the municipal website, e tender, notice board and send to potential suppliers registered on the accredited supplier database
- vi. The Tender number and closing date will be allocated by the SCM Unit.
- vii. Tender advertisement will be compiled and placed by the SCM Unit.
- viii. Standard tender documents will be provided to prospective tenderers by the SCM Unit.
- ix. Tenders will be opened on the date and time as specified in the advertisement.
- x. Summary of tenders will be compiled by Supply Chain Management Officer.
- xi. User department to provide the technical evaluation against pre-set evaluation criteria and submit to SCM Unit to evaluate the Responsive bidders in accordance with the Supply Chain Management Regulations.
- xii. The Bid Evaluation Committee to evaluate and make recommendations to the Bid Adjudication committee.

- xiii. The Bid Adjudication Committee can only adjudicate and on contracts up to 10 million.
- xiv. Tenders greater than R10 million will be awarded by the Accounting Officer after recommendations by the Bid Adjudication Committee
- xv. Service Level Agreements must be complied and signed by both parties before goods and services may be procured in excess of R30 000
- xvi. Successful / unsuccessful tenderers will be notified of the Bid Adjudication Committee's decision.
- xvii. After awarding the formal tender, the User Department will be informed of the outcome and they are to complete a Service Level agreement before any requisition can be generated

5. SERVICE LEVEL AGREEMENTS

User department to liaise with Legal Services (contract management unit) on the compilation of service level agreements for all tenders (formal and Informal). Process guidance for compilation of Service Level Agreements to be in accordance with Contract Management process.

6. Performance Management:

- (i) Each department to monitor the performance of each supplier to whom tenders have been issued under. The process flow for monitoring performance of service providers to be undertaken on the collaborator system and all the relevant compulsory review comments is completed.
- (ii) It is important that all communication with the service provider regarding the dissatisfaction of the work performed or goods delivered be documented and the service provider be afforded the opportunity to rectify it and respond accordingly. Where the final assessment of the service provider or supplier remains substandard after engaging with the service provider, legal services to facilitate the process going forth with the legal remedies available

7. STANDARD OPERATING PROCEDURES FOR PROCURING ACCOMMODATION AND FLIGHTS

7.1 Accommodation

- i. Out of town trip form to be duly completed and approved by the designated authority.
- ii. The Official concerned is to provide the designated central co-ordinator for the department with the supporting documentation

indicating the reason for accommodation.

- iii. The secretary to source a minimum of three quotations from the internet or any other available resource, identify the lowest quote and proceed with the booking subject to availability OR refer the specifications to the Travel Agent Appointed by Council
- iv. The designated personnel in a particular department to initiate a requisition on collaborator, uploading all the relevant documentation, and route the requisition to the relevant official for approval.(Request CSD Number)
- v. The approved requisition will be routed via collaborator to the Chief Accountant at Stores, who will inspect the documentation. Item to follow the procurement process as per the electronic procurement system.
- vi. Once the payment has been processed, proof of payment to be forwarded by DATA office to the designated personnel that initiated the requisition/booking. (GRV to be generated by departments before payment)
- vii. The designated personnel to forward the proof of payment to both the service provider (Bed & Breakfast or Hotel) / Travel Agent Appointed by council and the official for whom accommodation has been reserved for.

Provision made in the Travel and Subsistence policy to serve as the guideline:

7.2 Compensation

7.2.1 Accommodation:

- i. Travel and subsistence policy to serve as a guideline regarding the type of Accommodation and rating that is appropriate as approved by council.
- ii. Where such accommodation is available, the rate for a single room will be payable.
- iii. If a representative stays with a relative or friend, Subsistence and travel policy of Council to be complied with
- iv. The payments for overnight accommodation will be paid directly through Creditors Department to the authorised place of accommodation.

- v. Request for payment of reservation must be submitted within reasonable period before departure to enable the administration to process the reservation.
- vi. Tax/Invoices for accommodation to be submitted to creditors department for completeness of documentation

7.2.2 Personnel of council may not circumvent procurement process and place their own preferred booking and claim reimbursement. Any emergency cases where accommodation is sourced outside the procurement process, permission to be obtained prior from the executive manager of the department or the alternative relevant authority.

7.3 Booking of Airline Tickets

- a) Designated personnel in the department should be provided with the following document or invitation for workshop/meeting/conference to be attended with the following details
 - i. Where the event will take place
 - ii. Date and Starting time
 - iii. Date of closure and time of finish
- b) Arrangements for flights to be centralised around the designated personnel in the department, i.e. PA to the Executive Manager
- c) Deviations for items costing up to R10,000 can be approved by the Executive Manager of the relevant department, Final approval for Deviations above R10 000 to be reviewed by the CFO and approved by the Municipal Manager.
- d) Payments of flights to follow due process as approved
- e) When bookings are made, the following information is required by the designated personnel:
 - I. Approval from Municipal Manager for attendance of the meeting
 - II. Copy of ID of the passenger
 - III. Passenger's cell-phone number, which will be used to forward a confirmation e-mail with flight details from the chosen airline
 - IV. Vote from which expenditure will be paid

7.4 For rental vehicle hire:

- i. Designated personnel in the department to make the necessary arrangement subject to availability of the vehicles. The class of the vehicle to be guided by the Travel and Subsistence Policy of Council

7.5Catering

Refer to the catering policy as approved by council.

Annexure B



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

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

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

General Principles

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

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

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

2 Conflict of interest

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

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

3 Accountability

- 3.1 Practitioners are accountable for their decisions and actions to the public.
- 3.2 Practitioners should use public property scrupulously.
- 3.3 Only accounting officers or their delegates have the authority to commit

the municipality to any transaction for the procurement of goods and / or services.

- 3.4 All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- 3.5 Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- 3.6 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
 - (iii) any alleged breach of this code of conduct.
- 3.7 Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the **Garden Route District Council** who must ensure that such declaration is recorded in the register.

4 Openness

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

5 Confidentiality

- a) Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractors personal rights.
- b) Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

Bid Specification / Evaluation / Adjudication Committees

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

6 Combative Practices

- a) Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:
 - (i) Suggestions to fictitious lower quotations;
 - (ii) Reference to non-existent competition;
 - (iii) Exploiting errors in price quotations / bids;
 - (iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

I, an employee of Garden Route District Municipality , hereby acknowledges the Garden Route District Municipality's Code of Conduct for Supply Chain Management and commits to abide by it in the spirit to which it is intended for.

- I acknowledge that my integrity can only be affirmed by how I am deemed by others and therefor will uphold the Supply Chain Management Policy of the Municipality to the letter and spirit to which it is intended for.
- I will refrain from any conduct which may be deemed to be fraudulent in nature or could be seen as bringing disrepute to the image of Council.

- I acknowledge my responsibility for continuous professional development in familiarising myself with the changes in the relevant and applicable legislation of Supply Chain Management and any other relevant procurement legislation.

Signature

Name of Official

Date of Signature

ANNEXURE C

Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM)

The Council resolves in terms of section 168 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), in reference to SCM Regulation 3(2), this Policy prescribes the standards and gateways system requirements and principles which municipalities must adhere to when procuring infrastructure related services linking to CIDB and ISO standards and ethos, therefore to adopt the following SCM Framework for Infrastructure Delivery and Procurement Management of the Garden Route District Municipality, for procurement in excess of R50 million rand.

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Foreword

In 2012, the Infrastructure Delivery Management System (IDMS) was adopted as the chosen government wide system for infrastructure delivery in South Africa. In the same year (2012), the National Treasury, together with the eight metropolitan municipalities, initiated the customisations of the IDMS for implementation by municipalities. The product of that engagement became the Cities Infrastructure Delivery Management Toolkit (CIDMT), focusing mainly on cities or metros.

In order to establish a common approach to infrastructure delivery across all organs of state, the Standard for Infrastructure Procurement and Delivery Management (SIPDM) was issued for adaptation and adoption by municipalities in terms of Circular 77.

In the process of implementing and institutionalising the SIPDM, institutions expressed concerns regarding the operational challenges imposed by aspects of the SIPDM. This constraint was further compounded when the Preferential Procurement Regulations, 2017 were promulgated and effected, resulting in conflict between the SIPDM and the Regulations.

The National Treasury, in consultation with relevant stakeholders, initiated the SIPDM review process, which resulted in the development of the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM). The LGFIDPM provides for minimum requirements for effective governance of infrastructure delivery and procurement management.

Introduction

- a) The Integrated Development Plan (IDP) is the principal strategic planning instrument for municipalities. The IDP process requires a robust process of gathering and synthesising information related to the medium to long-term management of the municipality's infrastructure needs.
- b) The preparation of Roads and Storm Water Services, Water and Sanitation Services, Waste Disposal Services, Electricity Services and Community Facilities and Municipal Buildings, Infrastructure Asset Management Plans (IAMPs) enables municipalities to rank projects and determine budgets, based on a holistic view of local needs and priorities; and serves as a source of valuable information in preparing the IDP.
- c) Through the Infrastructure Delivery Management System, Cities Infrastructure Delivery Management System was developed to provide a holistic system for the management of infrastructure based on the requirements of SANS 55001: Asset management tailored for application in South African metropolitan spaces and specifically in support of the country's spatial transformation agenda.
- d) There is need to develop an infrastructure delivery management system tailor-made for all municipalities (excluding cities) which should integrate asset management strategy, policy to guide infrastructure planning, delivery management and decision making. The LGFIDPM introduces the initial process focusing on the project processes of the infrastructure delivery management and infrastructure procurement.
- e) The Framework for Infrastructure Procurement Management should be implemented together with the project management processes, to ensure alignment, integration and efficient and effective service delivery.

1. Scope

- 1.1 The Local Government FIDPM applies to organs of state which are subject to the Municipal Finance Management Act (MFMA).
- 1.2 The Framework provides minimum requirements for the implementation of Infrastructure Delivery and Procurement Management through the:
 - a) Project processes for infrastructure delivery management, and
 - b) Infrastructure procurement gates.
- 1.3 The Framework specifies the allocation of responsibilities for performing activities and making decisions at project stages and procurement gates.

b) Terms and Definitions

Approved: Officially agreed and signed-off by an Accounting Officer or a delegated person / body.

Construction: Everything constructed or resulting from construction operations.

Employer: Organ of state intending to, or entering into, a contract with a contractor.

Gate: A control point at the end of a process where a decision is required before proceeding to the next process or activity.

Gateway review: An independent review of the available information at a gate upon which a decision is made whether to proceed to the next process, or not.

Infrastructure:

- immovable asset, which is acquired, constructed or results from construction operations; or
- Movable asset, which cannot function independently from purpose-built immovable asset(s).

Infrastructure delivery: The combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.

Infrastructure procurement: The procurement of goods or services, including any combination thereof, associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.

Organ of State: Any department of state or administration in the national, provincial and local sphere of government.

Procurement strategy: The selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement.

Project: A unique set of processes consisting of coordinated and controlled activities with start and end dates, performed to achieve the project objective.

Stage: A collection of periodical and logically related activities in the Project Management Control Stages that culminates in the completion of an end of stage deliverable.

c) **ABBREVIATIONS**

CIDB Construction Industry Development

Board IDP Integrated Development Plan

FIDPM Framework for Infrastructure Delivery and Procurement

Management MFMA Municipal Finance Management Act

PSP Professional Service Provider

PPPFA Preferential Procurement Policy Framework Act

SCM Supply Chain Management

SDBIP Service Delivery Budget Implementation Plan

d) NORMATIVE REFERENCES

4.1 Acts of Parliament

The following referenced Acts of Parliament are indispensable in the application of this document:

- i. Architectural Profession Act, 2000 (Act No. 44 of 2000)
- ii. Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- iii. Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- iv. Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- v. Division of Revenue Act (Annual)
- vi. Engineering Profession Act, 2000 (Act No. 46 of 2000)
- vii. Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- viii. Municipal Finance Management Act, (No. 56 of 2003)
- ix. Local Government: Municipal Systems Act, 2000 (Act No. 32 Of 2000)
- x. National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996)
- xi. Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- xii. Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- xiii. Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- xiv. Public Finance Management Act, 1999 (Act No. 1 of 1999)
- xv. Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)
- xvi. Other Sector Specific Acts of Parliament.

4.2 Regulations issued in terms of the MFMA and MFMA Circulars

- i) Regulations issued in terms of the MFMA
- ii) Preferential Procurement Policy Framework Act Regulations (PPPFA of 2017 or as amended from time to time) and circulars.

4.3 Standards

- i) Applicable Construction Industry Development Board Standard for Uniformity
- ii) Construction Sector Code

4.4 Management System

- i) System in place

4.5 National Treasury Guidelines

- i) Local Government Capital Asset Management Guideline and Planning Guidelines
- ii) Budget Facility for Infrastructure (BFI).

4.6 Department of Cooperative Governance and Traditional Affairs Guidelines

- i) Guidelines for Infrastructure Asset Management in Local Government.

e) FRAMEWORK FOR INFRASTRUCTURE DELIVERY

5.1 The Infrastructure Delivery Management Project Processes

- a) The project process of infrastructure delivery management contains control stage deliverables at the end of each stage. Table 1 outlines the stage deliverables that must be approved. The control stages are specific to project management processes; and outline and describe the stages in the life of a project from start to end. The specific stages are determined by the specific project's governance and control needs. The stages follow a logical sequence with a specified start and end. The deliverable is considered to have passed through the relevant stage when it is approved and signed off. The project then moves on to the next sequential stage. It is expected that the Garden Route Municipality's project implementation process reflects an engagement between the Budget Treasury Office, IDP, SCM, and all strategic role players when developing and approving projects. It is also expected that there should be engagements with the National and Provincial Treasury where appropriate or where projects dictate so.

Table 1: Project stage deliverables

Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
1	Initiation	<p>Initiation Report or Pre-feasibility Report</p> <p>(5) The Initiation Report defines project objectives, needs, acceptance criteria, organisation's priorities and aspirations, and procurement strategies, which set out the basis for the development of the Concept Report.</p> <p>Or</p> <p>(6) A Pre-feasibility Report is required on Mega Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient information is presented to enable a final project implementation decision to be made. Mega capital projects should be determined in the municipality's policy approved by the Municipal Council.</p> <p>Stage 1 is complete when the Initiation Report or Pre-feasibility Report is approved.</p>

2	Concept	<p>Concept Report or Feasibility Report</p> <ul style="list-style-type: none"> i. The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1. This stage presents alternative approaches and an opportunity to select a particular conceptual approach. The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions, time frame and other information that may be required. ii. The Concept Report should provide the following minimum information:
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Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
		<ul style="list-style-type: none"> a) Document the initial design criteria, cost plan, design options and the selection of the preferred design option; or the methods and procedures required to maintain the condition of infrastructure, or the project. b) Establish the detailed brief, scope, scale, form and cost plan for the project, including, where necessary, the obtaining of site studies and construction and specialist advice. c) Provide an indicative schedule for documentation and construction, or maintenance services, associated with the project. d) Include a site development plan, or other suitable schematic layouts, of the works. e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the project. f) Include a baseline risk assessment for the project and a health and safety plan, which is a requirement of the Construction Regulations issued in terms of the Occupational Health and Safety Act. g) Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages. <p>iii. A Feasibility Report must provide the following minimum information:</p> <ul style="list-style-type: none"> a. Details regarding the preparatory work covering: <ul style="list-style-type: none"> i. A needs and demand analysis with output specifications. ii. An options analysis. b. A viability evaluation covering: <ul style="list-style-type: none"> i. A financial analysis. ii. An economic analysis, if necessary. c. A risk assessment and sensitivity analysis; d. A professional analysis covering: <ul style="list-style-type: none"> i. A technology options assessment. ii. An environmental impact assessment. iii. A regulatory due diligence. e. An implementation readiness assessment covering: <ul style="list-style-type: none"> i. Institutional capacity. ii. A procurement plan. <p>Stage 2 is complete when the Concept Report or the Feasibility Report is approved.</p>
3	Design Development	<p>Design Development Report</p> <ul style="list-style-type: none"> 1) The Design Development Report must, as necessary: <ul style="list-style-type: none"> a) Develop, in detail, the approved concept to finalise the design and definition criteria.

Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
		<p>b) Establish the detailed form, character, function and costings.</p> <p>c) Define the overall size, typical detail, performance and outline specification for all components.</p> <p>d) Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained.</p> <p>e) Confirm that the project scope can be completed within the budget, or propose a revision to the budget.</p> <p>Stage 3 is complete when the Design Development Report is approved.</p>
4	Design Documentation	<p>Design Documentation</p> <p>(vii) Design documentation provides:</p> <ul style="list-style-type: none"> the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction; the manufacture, fabrication and construction information for specific components of the work, informed by the production information. <p>Stage 4 is complete when the Design Documentation Report is approved.</p>
5	Works	<p>Completed Works capable of being used or occupied</p> <p>4) Completion of the Works Stage requires:</p> <p>a) Certification of the completion of the works in accordance with the provisions of the contract; or</p> <p>b) Certification of the delivery of the goods and associated services in accordance with the provisions of the contract.</p> <p>Stage 5 is complete when the Works Completion Report is approved.</p>
6	Handover	<p>Works which have been taken over by the user or owner; Completed Training; Record Information</p> <p>(5) The handover stage requires the following activities to be undertaken:</p> <p>a) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;</p> <p>b) Hand over the works and record information to the user organisation and, if necessary, train end user staff in the operation of the works.</p> <p>Stage 6 is complete when the Handover/Record Information Report is approved.</p>

7	Close-Out	Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report
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Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
		<p>(6) The Close-Out Stage commences when the end user accepts liability for the works. It is complete when:</p> <ul style="list-style-type: none"> a) Record information is archived; b) Defects certificates and certificates of final completion are issued in terms of the contract; c) Final amount due to the contractor is certified in terms of the contract; d) Close-Out Report is prepared by the Implementer and approved by the Municipality. <p>Stage 7 is complete when the Close-out Report is approved.</p>

- b) Procurement of PSPs and Contractors can occur at different points in the project stages.
- c) Additional stages may be added to the described stages above, if deemed necessary. For example, additional stages could include those necessary to ensure that project activities are appropriately carried out and stages linked. Contract activities would, in many instances, be contingent upon the requirements of the specific contract being used.
- d) For project progress using the project stages, reporting must be for the deliverable achieved in the stage immediately prior to the 'in progress' stage. For example, if a project is shown as being at Stage No. 3 (Design Development), it implies that the deliverable for Stage No. 2 (i.e. the Concept Report) has been achieved; and that the deliverable for Stage 3 (i.e. the Design Development Report) is in the process of being prepared.
- e) Where an organ of state engages another organ of state to provide agency services, a service delivery agreement must be developed that outlines the roles and responsibilities for each organ of state; and establishes a relationship between the client and the implementer. The development of all deliverables should be carried out in a cooperative and consultative manner between the Client and Implementer parties. All deliverables must be developed and signed off in compliance with the specific service delivery agreement.

c) **Gateway Reviews**

5.2.1 Gateway reviews for mega capital projects : Value > R50 000 000

- i. The MFMA (Act 56 of 2003), section 19 (2) states: "Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider the projected cost covering all financial years from the start until the project is operational; and the future operational costs and revenue on the project, including municipal tax and tariff implications."
- ii. The (LGFIDPM) Local Government Framework for Infrastructure Delivery and Procurement Management, prescribes the Gateway Review at the end of stage 2, as the minimum requirement to comply with section (i) above.
- iii. The focus of such a review must be on the quality of the documentation in the first instance, and thereafter on:
 - a. Deliverability: the extent to which a project is deemed likely to deliver;

- b. Expected benefits: within the declared cost, time and performance area;
 - c. Affordability: the extent to which the project's level of expenditure and financial risk can be accepted, given the organisation's overall financial position, both singly, and when considering its other current and projected commitments; and
 - d. Value for money: The optimum combination of whole life costs and quality (or fitness of purpose), to meet the user's requirements.
- iv.** A gateway review team must comprise of not less than three persons who are neither involved, nor associated with the project, but have a broad understanding of the subject matter.
- v.** A gateway review must be led by a person who has experience in the planning of infrastructure projects and is registered as a professional with a statutory council under the built environment professions. The members of the team must, as relevant, have expertise in the key technical areas, cost estimating, scheduling and implementation of similar projects.
- vi.** It is the duty of the institution's Accounting Officer or Authority to appoint a team responsible for the gateway review of his or her institution.
- vii.** The gateway review team must base its findings primarily on:
 - a) The information contained in the end-of-stage deliverable;
 - b) Supplementary documentation, if any, provided by key staff and obtained during an interview process; and
 - c) Interviews with key staff members and stakeholders.
- viii.** The gateway review team must issue a report at the conclusion of a gateway review, which reflects the team's assessment of the information at the end of a stage; and provides findings or recommendations on areas where further work should be undertaken to improve such information.
- ix.** The gateway review findings must be classified by the gateway review team as:
 - a) Critical: Findings that pose adverse effect to the project or package. Critical findings are findings related to the stage deliverable that are wholly unacceptable.
 - b) Major: Findings that pose a potentially adverse effect to the project or package. Major findings are serious findings and are in direct violation of key legislation, e.g. The Constitution of the Republic of South Africa, the MFMA or the PPPFA.
 - c) Minor: Findings that do not pose any adverse effect to the project or package. Minor findings indicate the need for improvement of practices and processes.
- x.** A Stage 2 deliverable must not be approved until such time that all findings have been resolved.

6.1 FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT

(1) INTRODUCTION

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

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

(2) MINIMUM REQUIREMENT FOR INFRASTRUCTURE PROCUREMENT

- a) Infrastructure procurement must be undertaken in accordance with all applicable Infrastructure Procurement related legislation and this Framework.
- b) Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in clause 6.3 below.
- c) The Accounting Officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets.
- d) The Accounting Officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.
- e) Procurement gates provided in 6.3 below must be used, as appropriate, to:
 - (i) Authorise commencement of activities that lead to the next control gate;
 - (ii) Confirm conformity with requirements; and/or
 - (iii) Provide information to eliminate any cause of non-conformity and to prevent reoccurrence.
- f) The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.
- g) The Accounting Officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.
- h) The Accounting Officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to proceeding with the procurement strategy.
- i) The Accounting Officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements:
 - (i) Procurement gate;
 - (ii) Delegated person/s or body;
 - (iii) Date on which the approval request was received;
 - (iv) Date on which the approval was actioned; and
 - (v) Signature of the delegated person or body.
- j) All assets must be recorded in the municipal asset register as required by the

GRAP standards.

6.3 Infrastructure Procurement Gates

6.3.1 Procurement **Gate 1 (PG 1)**

a) Initiate a procurement process;

b) Minimum Requirement for PG 1:

- i. Establish and clarify the procurement need, aligned to the municipality's development and transformation priorities specified in the IDP.
- ii. Determine a suitable title for the procurement, to be applied as the project description
- iii. Prepare the broad scope of work for the procurement.
- iv. Perform market analysis.
- v. Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.
- vi. Confirm the budget.
- vii. Compliance with section 33 of the MFMA with respect to community and stakeholder consultation.

c) PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.

6.3.2 Procurement **Gate 2 (PG 2)**

a) Approve procurement strategy to be adopted.

b) Minimum Requirement for PG 2:

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

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

6.3.3 Procurement **Gate 3 (PG 3)**

a) Approve procurement documents.

b) Minimum requirements for PG 3:

- 1) Prepare procurement documents that are compatible with:
 - i. approved procurement strategies.
 - ii. project management design documentation.

c) PG 3 is complete when the Bid Specification Committee approves the procurement

document.

6.3.4 Procurement **Gate 4 (PG 4)**

- a) Confirm that cash flow processes are in place to meet projected contractual obligations.
- b) **Minimum requirement for PG 4**
 - 6.3.4.b.1 Confirm that cash flow processes are in place to meet contractual obligations.
 - 6.3.4.b.2 Establish control measures for settlement of payments within the time period specified in the contract.
- c) **PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place.**

6.3.5 Procurement **Gate 5 (PG 5)**

- a) Solicit tender offers.
- b) **Minimum requirements for PG 5**
 - 6.3.5.b.1 Invite contractors to submit tender offers.
 - 6.3.5.b.2 Receive tender offers.
 - 6.3.5.b.3 Record tender offers.
 - 6.3.5.b.4 Safeguard tender offers.
- c) **PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.**

6.3.6 Procurement **Gate 6 (PG 6)**

- a) Evaluate tender offers premised on undertakings and parameters established in procurement documents.
- b) **Minimum Requirement for PG 6:**
 - 6.3.6.b.1 Determine whether tender offers are complete.
 - 6.3.6.b.2 Determine whether tender offers are responsive.
 - 6.3.6.b.3 Evaluate tender submissions.
 - 6.3.6.b.4 Review minimum compliance requirements for each tender.
 - 6.3.6.b.5 Perform a risk analysis.
 - 6.3.6.b.6 Prepare a report on tender offers received, and on their achievement of minimum compliance.
- c) **PG 6 is complete when the chairperson of the Bid Evaluation Committee approves the BEC report.**

6.3.7 Procurement **Gate 7 (PG 7)**

- a) Award the contract.
- b) **Minimum Requirement for PG 7:**
 - 6.3.7.b.1 Bid adjudication committee review of the BEC evaluation report.
 - 6.3.7.b.2 Bid Adjudication Committee makes an award.
 - 6.3.7.b.3 Accounting Officer approval of the tender process.
 - 6.3.7.b.4 Notify successful tenderer and unsuccessful tenderers of the outcome.
 - 6.3.7.b.5 Sign contract document.
 - 6.3.7.b.6 Formally accept tender offer.
- c) **PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of**

complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract.

6.3.8 Procurement **Gate 8 (PG 8)**

a) Administer and monitor the contract.

b) Minimum Requirements for PG 8:

1) Finance department to:

- i. Capture contract award data.
- ii. Manage cash flow projection.
- iii. Administer contract in accordance with the terms and provisions of the contract.
- i. Delivery department to:

2) Ensure compliance with contractual requirements.

c) PG 8 is complete when a delegated person captures the contract completion/termination data (close out reports and relevant documents), including payment certificates due