



SUPPLY CHAIN MANAGEMENT DRAFT POLICY

SCM Policy	Amajuba District Municipality
Effective from	16 January 2023
Review Frequency	12 months
SCM Policy Originator	Budget and Treasury: Supply Chain Management Unit
Target audience	All officials of the Amajuba District Municipality & Councillors

APPROVALS

TITLE	INITIALS AND SURNAME	SIGNATURE	DATE
Chief Financial Officer	Mr. MS SITHOLE		
Accounting Officer	Mr PM MANQELE		

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[33. REPEAL](#) 44

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1. INTRODUCTION

On 16 February 2022, the Constitutional Court pronounced the Preferential Procurement Regulations, 2017 that were that were promulgated by the Minister of Finance on 20 January 2017 in terms of the Preferential Procurement Policy Framework Act, 2000 as invalid. The judgment by the Constitutional Court, was based on the case of Minister of Finance versus Agribusiness NPC. The Preferential Procurement Policy Framework Act, 2000 directed that an organ of state must determine its preferential procurement policy. The impugned Procurement Regulations, 2017 shall remain valid until 15 January 2023. On 4 November 2022 the Minister of Finance gazetted revised Preferential Procurement Regulations, 2022 that would come into effective on 16 January 2023. Tenders advertised prior to 16 January 2023 must be dealt with in terms of the Preferential Procurement Regulations, 2017.

2. PURPOSE

The purpose of this policy is to outline the implementation of the Amajuba District Municipality Supply Chain Management processes that would be followed in the procurement of goods and/or services, in line with the guiding legislation.

3. OBJECTIVES

3.1 The objectives of this policy are to give effect to:

- 3.1.1 The legislative requirements, of the Constitution of the RSA, 1996 (Act No. 108 of 2006) section 217 and the Municipal Finance Management Act, (Act No. 56 of 2003) section 38 by creating an enabling environment to procure goods and services in a manner that is fair, equitable, transparent, competitive and cost effective.
- 3.1.2 The legislative requirement of the Preferential Procurement Policy Framework Act, 2000 by determining the preferential procurement system and the specific goals that must be followed in the awarding of tenders.

4. ABBREVIATIONS

ABBREVIATION	EXPLANATION
AO	Accounting Officer
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
ESD	Enterprise and Supplier Development
BSC	Bid Specification Committee
CFO	Chief Financial Officer
CSD	Central Supplier Database
GCC	General Conditions of Contract
ADM	Amajuba District Municipality
IT	Information Technology
HDI	Historical Disadvantaged Individuals
NT	National Treasury
MFMA	Municipal Finance Management Act, (Act No. 56 of 2003)
PM	Programme Manager
PPP	Public-Private Partnership
PPPFA	Preferential Procurement Policy Framework Act, Act No. 5 of 2000
RM	Responsibility Manager
RDP	Reconstruction Development Programme
SABS	South African Bureau of Standards
SANAS	South African National Accreditation System
SARS	South African Revenue Service
MBD	Municipal Bidding Documents
SCM	Supply Chain Management
SCMU	Supply Chain Management Unit in the Office of the Chief Financial Office
SITA	State Information Technology Agency

Table 1: List of Abbreviations

5. DEFINITIONS

TERM	DEFINITION
Authorised Official	Official responsible for the bid that will be closing, and an additional official appointed by the Chief Financial Officer to assist during the closing of bid.
Bid	means a written offer, in the form determined by instruction, in response to an invitation for the procurement of goods or services or other form of procurement through a price quotation, a competitive bidding process, a limited bidding process or any other method envisaged in the Treasury Regulations;
Bidder	means any person/enterprise which has submitted a Bid;
Cession	Means when a contract is ceded to another business entity
Closeout	Means when a contract is considered complete and the contractor has complied with all terms and conditions of the contract, and the Institution has inspected and accepted the goods/services and/or works.
Consortium	A consortium is an association of two or more individuals/companies with the objective of participating in a common activity or joining their resources to achieve a common goal.
Contract	Agreement legally binding two or more parties to the terms of the agreement.
Contract Administrator	Means the official that is responsible for the continuous updating of the contract register and management and control of all documentation relating to the contract.
Contractor	The contracting party that represents a supplier, service provider or vendor.
Deliverable	Any measurable, tangible, verifiable outcome, result or item that must be produced, delivered or constructed to meet the strategic objectives and service delivery targets of an institution.
Municipality	Amajuba District Municipality.
Extension	Refers to a written consent by contracted parties to increase a contract period.
Firm Price	The price that appears on the purchase order and is not affected by price fluctuations due to specific industry price escalations for the duration of the contract.

TERM	DEFINITION
Goods	Tangible products procured by Municipality by means of external purchases and contracting done by the ADM
Historical Disadvantaged Individuals	South African citizen who due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or <ul style="list-style-type: none"> - Who is a female; and /or - Who has disability: <p>Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI;</p>
Institution	Organs of state as defined in the MFMA
Joint Venture	Means a business arrangement in which two or more parties agree to join together their resources for the purpose of completing a project.
Non-Firm	The price that appears on the purchase order and is affected by price fluctuations due to specific industry price escalations for the duration of the contract.
Operating Lease	A lease other than a finance lease and is regarded as a current payment.
Project	The description of goods or services required by the ADM
Purchaser	Procurement of goods and services by SCMU as prescribed in the applicable legislation
Quotation	A written or verbal offer in response to an invitation to deliver goods or services to the ADM, with a transaction value not more than R200K
Service Provider/ Supplier/ Vendor	The contracted party to deliver goods or services to the ADM.
Services	The intangible item procures from the service provider/ supplier/ vendor by the ADM.
Sub-Contractor	A person or business entity that enters into a sub-contracting agreement with the service provider/ supplier/ vendor to execute part of the contract.

Table 2: List of Definitions

6. LEGISLATIVE FRAMEWORK

- 6.1 The implementation of SCM places a large responsibility on the Municipality to ensure that adequate controls are in place to prevent over or under expenditure, irregular expenditure, unauthorised expenditure and fruitless and wasteful expenditure.
- 6.2 The ADM must ensure that anti-corruption and anti-fraud mechanisms controls are implemented.
- 6.3 SCM is an integral part of prudent financial management system.
- 6.4 SCM must be applied in a manner that promotes international best practices.
- 6.5 This policy should be read in conjunction with the following legislation:
- a) The Constitution of the Republic of South Africa, 1996
 - b) Municipal Finance Management Act, (Act No. 56 of 2003)
 - c) Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
 - d) Treasury Regulations: Supply Chain Management 16A
 - f) Preferential Procurement Regulations, 2022
 - f) Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
 - g) Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)
 - h) The Protected Disclosures Act, 2000 (Act No. 26 of 2000)
 - i) State Information Technology Agency Act, Act No. 88 of 1998
 - j) Protection of Personal Information Act, 2013 (Act No. 4 of 2013)
 - k) Supply Chain Management Instruction or Practice Notes issued by Provincial or National Treasury
 - l) ADM internal policies and directives
 - m) Construction Industry Development Board Act, Act No. 38 of 2000
 - n) Companies Act, 2008 (Act No. 71 of 2008)
 - o) Competition Act, 1998 (Act No. 89 of 1998)

7. ADMINISTRATIVE APPLICATION OF STATUTE

All the officials employed by the ADM shall comply with the following applicable legislative requirements in the procurement of goods or services:

No	Legal Prescript	Applicability	Conditions	Responsibility
a	Constitution of the RSA, 1996 (Act No. 108 of 2006) section 217 (1).	Provides that all procurement for goods and/or services must be done in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.	<ul style="list-style-type: none"> ✓ The selection of service providers must be fair, equitable and transparent. ✓ The selection of service providers for quotations must be done on a rotational basis entitling giving an equal opportunity to all prospective service providers to submit offers ✓ In ensuring competitiveness, quotations must be invited from a minimum of ten (10) service providers registered on the CSD ✓ Price written quotations must be received from a minimum three (3) different service providers that are registered on CSD ✓ Where service providers are exempted from registration on the CSD reasons should be recorded and approved by the AO before the order is issued and records hereof must be maintained for audit purposes. ✓ Bids are invited following the competitive bidding process and must be advertised in at least the eTender Portal and ADM website for a period at least of 21 days, except in urgent cases when bids may be advertised for a shorter period as may be determined by the AO. ✓ Awards of bids must be published in the eTender Portal and Municipal website or other media which was used in the invitation of bids 	<p>AO</p> <p>CFO</p> <p>SCMU</p> <p>BSC</p> <p>BTEC</p> <p>BEC</p> <p>BAC</p> <p>QTEC</p> <p>QEC</p> <p>QAC</p>

			✓ Contracts relating to Information Technology must adhere to the prescribed directives of the State Information Technology Act and its Regulations.	
b.	Municipal Finance Management Act, (Act No. 56 of 2003) and Treasury Regulations 16A.	Financial powers are assigned to the AOs to enable them to manage their financial affairs within the parameters outlined by the prescribed Norms and Standards.	The AO may delegate the responsibilities in terms of S 38 of the PFMA to the CFO, SCMU, Bid Committees to implement a procurement system that is fair, equitable, transparent, competitive and cost-effective.	AO CFO SCMU BSC BTEC BEC BAC QTEC QEC QAC
c.	Preferential Procurement Policy Framework Act, 2000	Acceptable Bids or quotations	Tenders or quotations must be awarded in line with the preference point system stipulated in the PPPFA, 2000 Tenders or quotations must be evaluated and awarded within the specific goals issued with the invitation of offers	AO CFO SCMU BSC BTEC BEC BAC QTEC QEC QAC

d.	The promotion of Access to Information Act, (Act No. 2 of 2000)	This Act gives effect to Section 32 of the Constitution by setting out how anyone can get access to information held by the state. By so doing, it promotes transparency and prevents government from operation in secret.	<ol style="list-style-type: none"> 1. SCM must ensure that invitations and awards of bids/quotations are done in an open and transparent manner. 2. SCMU must ensure that invitations and awards of bids are advertised in at least the Government Tender Bulletin, e-Tender Portal, Municipality website and local newspapers 3. SCMU must make available any information that is legally requested. 4. All ADM officials involved in the SCM processes must comply with the prescribed SCM code of conduct for SCM practitioners. 	<p>AO CFO SCMU BSC BTEC BEC BAC QTEC QEC QAC</p>
e.	The Promotion of Administrative Justice Act, (Act No. 3 of 2000)	This Act gives effect to Section 33 of the Constitution. It ensures that decisions that affect the public are taken in a way that is procedurally fair and it gives people the right to request written reasons for decisions they disagree with. In this way, it creates greater transparency – people may be less tempted to act corruptly if they know		

		they will have to explain themselves to the public.		
f.	The Protected Disclosures Act, (Act No. 26 of 2000)	This Act was passed to encourage employees to disclose information about unlawful and irregular behaviour in the workplace. It offers protection from victimisation for whistle blowers if they meet the requirements and follow the procedure set out in the Act		
g.	State Information Technology Act, (Act No.88 of 1998)	Requires that SITA must act as the procurement agency for the Municipality's information technology requirements.	The SCMU must ensure that all information technology software, hardware and its related services are procured in line with the Service Level Agreement signed with SITA	AO CFO SCMU BSC BTEC BEC BAC QTEC QEC QAC IT

h.	Other legislative requirements.	In addition to the above-mentioned legislative framework the ADM shall comply with the provisions of the listed legislation that impact on the supply chain environment:	<ol style="list-style-type: none"> 1. The Supply Chain Management Guide for Accounting Officers 2. The Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 3. The National Small Business Act, Act 102 of 1996; 4. Provincial Growth and Development Strategy; 5. Public Service Act, Act No 23 of 1994; 6. The Competition Act, Act No 89 of 1998; 7. The King Report on Corporate Governance for South Africa. 8. SCM Practice and Instruction Notes 9. Companies Act of 2008 (Act No. 71 of 2008) 10. Construction Industry Development Board Act, Act No. 38 of 2000 	<p>AO</p> <p>CFO</p> <p>SCMU</p> <p>BSC</p> <p>BTEC</p> <p>BEC</p> <p>BAC</p> <p>QTEC</p> <p>QEC</p> <p>QAC</p> <p>PM</p> <p>RM</p>
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Table 3: Administrative Application of Statute

8. PROCUREMENT SCOURCING STRATEGY

The ADM will determine the applicable procurement sourcing strategies in the invitation of tenders or quotations. This process shall include market research or industry analysis or commodity analysis to determine procurement opportunities and supply market to ensure efficacy in the procurement system of the ADM.

9. APPLICABILITY OF THE FUNCTIONALITY CRITERIA

9.1 The ADM shall stipulate in the quotation/tender document if the functionality criteria including a sub-criterion where applicable shall be applied during the evaluation process. The functionality criteria must be objective. The tender/ quotation document must specify:

- a) **Evaluation criteria for measuring functionality:** The evaluation criteria may include experience for the assignment, the quality of methodology, qualifications of key personnel, transfer of knowledge or any other functionality requirement that would yield the required outcomes.
- b) **Points for each criterion:** Points allocated to each criterion should not be generic but should be determined separately for each bid/ quotation on a case-by-case basis.
- c) **Points for each sub- criterion:** Points that shall be used when scoring each sub-criterion must be objective and applicable weighting must be stipulated in the bid/ quotation invitation document.

9.2 The minimum qualifying score for functionality criteria for a quotation/bid must be determined separately for each quotation/bid and must not be so low that it may jeopardise the quality of the required goods or services or so high that it may be unreasonably restrictive.

9.3 Points scored for the functionality criteria must be rounded off to the nearest two decimal places. The offer that fails to obtain the minimum qualifying score on the functionality criteria shall be considered as not responsive. Each quotation/ bid that obtains the minimum qualifying score for functionality criteria must be evaluated further in terms of price and specific goals.

9.4 Functionality passing score must not be too high that it is difficult to achieve as that may prejudice other bidders.

9.5 Functionality passing score must not be too low as that may place the project at risk.

10. APPLICATION OF PREFERENCE POINTS

The ADM shall conduct an industry and commodity analysis to obtain an indicative market related prices that may be used for benchmarking purposes. Based on the results of the analysis the ADM shall determine the preference points system, which may be 80/20 or 90/10 as stipulated in paragraphs 9.1 and 9.2 below. The applicable preference points system shall be stipulated in the quotation/bid invitation document and shall be used to evaluate offers received.

The tender/ quotation invitation shall stipulate the specific goals and the points that will be awarded to each goal and proof that must be submitted to claim for such a goal.

If there is uncertainty on the preference point system to be applied, the bid must be advertised with a directive that:

- a) The invitation of tender for income- generating contracts, that either the 80/20 or 90/10 preference point system will apply and the highest acceptable tender will be used to determine the applicable preference point system; or
- b) Any other invitation of tender that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

10.1 80/20 Preference Points System

The PPPFA and its Regulations prescribe the framework for the preference point system. The Act and its Regulations incorporate the '80/20' and '90/10' preference point system, which the ADM shall apply, as required. **The 80/20 preference point system will apply to all acquisitions of goods, works and/or services for a rand value equal to or below R 50 million.** ADM will not apply the 80/20 preference point system to price quotations with a value less than R30 000.

10.1.1 The following formula shall be used to calculate the points out of 80 for price in respect of quotations/bids with a Rand value equal to or below R50 000 000 (all applicable taxes included):

$$Ps = 80 \left(1 - \frac{Pt - Pmin}{Pmin} \right)$$

Where Ps = Points scored for price of bid under consideration;

Pt = Price of bid under consideration; and

P_{min} = Price of lowest acceptable bid.

10.1.2 Points for Specific Goals: 20 points

- a) A maximum of 20 points may be awarded to a tenderer for the specific goal specified in the tender/ quotation
- b) Points scored for the specific goals must be added to the points scored for price and the total must be rounded off to the nearest two decimal places
- c) the contract must be awarded to the tenderer who scores the highest points, unless objective criteria justify the award to another tenderer; as per section 2 (1) (f) of the PPPFA, 2000.

10.2 The following formula shall be used to calculate the points out of 90 for price in respect of quotations/bids with a Rand value above R50 000 000 (all applicable taxes included):

$$P_s = 90 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where P_s = Points scored for price of bid under consideration;

P_t = Price of bid under consideration; and

P_{min} = Price of lowest acceptable bid.

- a) A maximum of 10 points may be awarded to a tenderer for the specific goal specified in the tender/ quotation
- b) Points scored for the specific goals must be added to the points scored for price and the total must be rounded off to the nearest two decimal places
- c) The contract must be awarded to the tenderer scoring the highest points subject to section 2 (1) (f) of the PPPFA, 2000.

10.3 **80/20 preference point system for tenders/ quotations for income-generating contracts with Rand value equal to or below R50 million**

The following formula must be used to calculate the points for price in respect of an invitation of bid/ quotation for income generating contracts, with a Rand value equal to or below R50 million or above R50 million inclusive of all applicable taxes:

$$P_s = 80 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right) \quad \text{or} \quad P_s = 90 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where

Ps = Points scored for price of bid under consideration;

Pt = Price of bid under consideration; and

Pmax = Price of highest acceptable tender.

- a) A maximum of 20 or 10 points may be awarded to a tenderer for the specific goal specified in the tender/ quotation
- b) Points scored for the specific goals must be added to the points scored for price and the total must be rounded off to the nearest two decimal places
- c) The contract must be awarded to the tenderer scoring the highest points subject to section 2 (1) (f) of the PPPFA, 2000.

10.4 Specific Goals

- a) The tendering conditions may stipulate those specific goals as contemplated in section 2(1) (d) (ii) of the PPPFA, 2000 be attained.
- b) Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender/ quotation.
- c) The stipulation contemplated above must include the method to be used to calculate the points scored for achieving specific goals.
- d) the contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those stipulated in paragraphs (f) (i) to (vii) below justify the award to another tenderer.
- e) Any goal contemplated in paragraph (f)(i) to (vii) must be measurable, quantifiable and monitored for compliance
- f) Over and above the awarding of preference points in favour of HDI's the following activities may be regarded as a contribution towards achieving the goals of RDP (published in Government Gazette No. 16085 dated 23 November 1994). The ADM may apply the goals stipulated in paragraph (f) (i) to (vii) in combination depending on the preference target.
 - i) Contracting with Historically Disadvantaged Persons by unfair discrimination on the basis of race or gender or disability.
 - ii) The promotion of South African owned enterprises
 - iii) The promotion of SMMEs
 - iv) The promotion of enterprises located in KwaZulu-Natal for work to be done or services to be rendered in the Province of KwaZulu-Natal
 - v) The promotion of enterprises located in a specific district within the KwaZulu-Natal Province for work to be done or service to be rendered in that particular district

- vi) The promotion of enterprises located in a specific municipal area within KwaZulu-Natal Province for work to be done or service to be rendered to the particular municipality
- vii) The promotion of enterprises located in rural areas within the KwaZulu-Natal Province.

10.5 Remedies for False Declaration

- a) If the ADM is of the view that a tenderer submitted false information regarding a specific goal it shall:
 - i) Inform the tenderer; accordingly, and
 - ii) Give the tenderer an opportunity to make representations within 14 days as to why the tender/ quotation may not be disqualified or if the tender/ quotation has already been awarded to the tenderer, the contract should not be terminated in whole or in part.
- b) After considering the representation referred to in paragraph 10.5 (a) (ii) above, the ADM may, if it concludes that such information is false:
 - i) Disqualify the tenderer or terminate the contract in whole or in part; and
 - ii) If applicable claim damages from the tenderer.

10.6 Reasonableness of Prices and Negotiation with Bidder

If the price offered by a bidder scoring the highest points is not market related, the contract may not be awarded to that bidder. The ADM may:

- a) Negotiate a market related price with the bidder scoring the highest points or cancel the bid;
- b) If the bidder scoring the highest points does not agree to a market related price, negotiate a market related price with the bidder scoring the second highest points or cancel the bid; and
- c) If the bidder scoring the second highest points does not agree to a market related price, negotiate a market related price with the bidder scoring the third highest points or cancel the bid.
- d) If a market, related price is not agreed the ADM must cancel the bid.
- e) The following principles of negotiation must be considered:
 - i) Delegations and threshold values for negotiating by the AO;
 - ii) Negotiating may not allow any preferred bidder a second or unfair opportunity;
 - iii) Is not to the detriment of any other bidder; and
 - iv) Does not lead to higher price than the offer submitted.

The ADM shall include in the quotation/bid document a condition stating clearly that the award of the bid may be subjected to price negotiation with the preferred bidders.

11. CRITERIA FOR BREAKING DEADLOCK IN SCORING

- a) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
- b) If two or more tenderers score equal total points in all aspects, the award must be decided by the drawing of lots.

12. CANCELLATION OF BID OR QUOTATION

The ADM may before the award of a bid or quotation, cancel the invitation if:

- a) Due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
- b) Funds are no longer available to cover the total envisaged expenditure;
- c) No acceptable bid is received;
- d) There is a material irregularity in the bid process; or
- e) Defective specification or design or TORs issued with the bid/ quotation.

The decision to cancel a bid invited must be approved by the AO or his/her delegate and must be published in the same way the original bid invitation was advertised.

13. STANDARD BIDDING DOCUMENT

- a) The ADM shall use the standard bidding documents as prescribed by the National or Provincial Treasury in the invitation of bids or quotations
- b) The ADM will customise the tender or quotation documents by incorporating the details that are applicable to the ADM.

14. FIVE PILLARS OF PROCUREMENT APPLICABLE

The procurement system of the ADM is based on the under listed good governance principles:

- i. Value for Money;
- ii. Open and Effective Competition;
- iii. Ethics and Fair Dealings;
- iv. Accountability and Reporting; and
- v. Equity

14.1 Value for Money

- a) It is imperative for the procurement system of the ADM to yield the desired outcomes that support the service delivery objectives
- b) Price alone is often not a reliable indicator and the ADM will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements.
- c) Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered, which is not limited to but include the following:
 - Avoid any unnecessary costs and delays in the procurement processes;
 - Ensure continuous improvement in procurement processes.

14.2 Open and Effective Competition

The ADM procurement system shall ensure that:

- a) Potential suppliers have reasonable access to procurement opportunities that are available in ADM
- b) Adequate and timely information is provided to suppliers to enable them to bid
- c) Bias and favouritism are eliminated
- d) The costs of bidding for opportunities do not prevent competent suppliers.

14.3 Ethics and Fair Dealing

- a) Supply Chain Management practitioners and all parties involved in the procurement process of the ADM must:
 - i. Deal with each other on a basis of mutual trust and respect
 - ii. Conduct their business in a fair and reasonable manner and with integrity
 - iii. Uphold ethical standards in their dealings
 - iv. Refrain from conflicts of interests or the potential hereof
 - v. Eliminate conducts of fraud and corruption

14.4 Accountability and Reporting

- a) This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes.
- b) Due diligence must be applied in all procurement activities
- c) Proper records must be maintained

14.5 Equity

The procurement of goods and services must be conducted in an equitable manner that will achieve the goals of government to redress the socio-economic imbalances of the past.

15. GENERAL PROCUREMENT RULES

The ADM shall implement a procurement system that is fair, equitable, transparent, competitive and cost-effective by ensuring that:

- a) The bid documentation and the general conditions of a contract shall be crafted in accordance with the directives prescribed by Provincial or National Treasury.
- b) Implement a cost-effective procurement strategy on bids or quotations
- c) The applicable preference point system and specific goals that shall be utilised in the evaluation process shall be communicated to bidders in the bid/ quotation invitation stage.
- d) To determine a market related price, the ADM reserves the right to enter into a negotiated procurement with the lowest price to specification/ TORs.
- e) Bids shall be advertised in the, eTender Portal, and ADM website for at least twenty-one (21) days before closure, except in urgent cases or where a deviation from the procurement process is approved by the AO, where bids may be advertised for a shorter period.
- f) Bid box must be opened by two (2) authorised officials by the Chief Financial Officer and late bids must be returned unopened to the bidder.
- g) The maximum bid validity period will be hundred and eighty (180) days. The maximum validity period for quotations with transaction value of R2000.01 to R200,000.00 is 60 days.
- h) Offers must be evaluated in accordance with the evaluation criteria that was issued with the bid/ quotation.
- i) The offer that does not comply with the responsiveness criteria and/or other requirements that were specified in the bid/ quotation document shall be deemed as non-responsive.
- j) Where functionality is applied, offers that do not meet the minimum functionality scores, shall be disqualified.
- k) Where the ADM disqualifies the offer, the reasons for such a decision must be clearly documented in the evaluation and award report.
- l) Price must include all duties, taxes, percentage fees for cost reimbursable contracts and other levies.
- m) All members who participate in bid committees must sign a declaration of conflict of interest.
- n) The ADM must enter into a legal contract for all successful bids >R200,000.00.
- o) The ADM must issue an order/letter of award for successful quotes/bids.
- p) The ADM must publish awards of bids in the same publication used for the invitation of bids.
- q) The ADM shall verify the bidder's registration on CSD and verify the following key information for the prospective suppliers:

- i. Business registration including details of directorship and membership;
 - ii. Bank account holder information;
 - iii. In the service of the state status;
 - iv. Tax compliance status;
 - v. Conflict of interest;
 - vi. Bid defaulting and restriction status; and
 - vii. Any additional and supplementary verification information communicated by the National/ Provincial Treasury.
- r) The ADM must ensure that the preferred bidders' tax matters are in order and that the names of the preferred bidders and their directors / trustees /shareholders are not listed on the Register for Bid Defaulters and the List of Restricted Suppliers.
- s) Contracts may be expanded or varied by not more than 15% or R15 million (including all applicable taxes) for all other goods and/or services of the original value of the contract, whichever is the lower amount or Contracts may be expanded
- t) Construction contracts may be expanded or varied by not more than 20% or R20 million (including all applicable taxes) of the original value of the contract, whichever is the lower amount
- u) The Appeals process followed will be in terms of the approved ADM SCM Policy Framework.
- v) The ADM may participate in transversal term contracts facilitated by Provincial or National Treasury.
- w) The AO must in a format determined by the NT, submit a monthly report, including reasons for the expansion of or variation, to the relevant treasury and the AGSA. The AO must record and expansions or variations referred to in the annual report of the ADM in a format determined by the NT. The relevant treasury and AGSA may request additional information pertaining to expansion or variation.

16. THE SUPPLY CHAIN MANAGEMENT SYSTEM

- 16.1 In terms of the MFMA National Treasury Regulation 16A3.1 the AO is hereby establishing an SCM Unit. SCM hereby established within the Office of the Chief Financial Officer, to implement the ADM SCM system in line with National Treasury Regulation 16A4.1.
- 16.2 The AO shall prescribe in writing the SCM Delegated Powers applicable to the procurement of goods and services in the ADM.
- 16.3 The AO shall develop and implement an effective and efficient Supply Chain Management System for:
- a) The Demand Management

- b) Acquisition Management
- c) Contract Management
- d) Risk, Performance and Reporting Management
- e) Logistics Management

16.4 The System shall maintain the principles of:

- a) Fairness, equity, transparency, competitiveness and cost-effectiveness.
- b) The system shall comply with the PPPFA imperatives.
- c) Regular assessment of SCM Performance shall be conducted

16.5 The Officials with SCMU must be trained.

16.6 The SCM system shall provide for the following structures:

- a) SCM Unit;
- b) Bid Specification Committee;
- c) Bid Evaluation Committee;
- d) Bid Adjudication Committee; and
- e) Delegated SCM Powers to authorised person

17. DEMAND MANAGEMENT

17.1 In-line with NT Regulation 16A3.2(d)(i) Demand Management is hereby established as first phase in the SCM system. Demand Management is established in order to ensure that the goods and services required are supporting the strategic and operational objectives of the ADM and are delivered at the correct time, the right price, at the right location, and at a quality that satisfy the needs. Demand management is the initiation phase of the procurement cycle and is the stage where research and planning takes place. The purpose of demand management is to ensure that the procurement needs identified in the strategic plan are delivered at the correct price, time, place, quantity and quality to satisfy the needs.

17.2 Goods and Services: Demand for goods and services will be based on the annual approved budget and procurement plan. The ADM will administration budget to the level where the need for goods and services can be determined.

17.3 Demand Management accordingly shall involve the following activities:

- a) Procurement planning that is aligned to strategic and operational plans of the ADM.
- b) The Demand management sub-directorate shall lead the process of compiling Municipality annual procurement and demand plan.
- c) Identifying critical delivery dates;
- d) Identifying the frequency of the need;

- e) Linking the requirement to the budget-ensuring that all goods and services to be procured is budgeted for;
- f) Conducting expenditure analyses based on past expenditure;
- g) Conducting commodity analyses in order to check for alternatives;
- h) Conducting market analyses;
- i) Determine sourcing strategy
- j) Determine applicable preference points system;
- k) Determine applicable specific goals
- l) Determine if the functionality criteria is objective
- m) Confirmation of budget;
- n) review specifications;
- o) Monitor splitting of orders;
- p) Development of the procurement/ demand plan;
- q) Draft quotation and bid document;
- r) Table draft quotation and bid to BSC;
 - s) Ensure that the draft quotation and bid documents are approved by the delegated authority;
 - t) Provide secretariat support to BSC; and
 - u) Keep the specification catalogue.

17.4 Specifications

Specifications must be prepared for all goods and services that will be required by the ADM. All specifications must be prepared free of interference by bidders and must be based on the principles listed below:

- a) Standards and specifications must promote the broadest possible competition, while the performance requirements must ensure that the critical elements of performance are achieved.
- b) As far as possible standards must originate from credible institutions such as the South African Bureau of Standards (SABS), International Standards Organisation or institutions accredited by the South African National Accreditation System (SANAS).
- c) Specifications should be based on relevant characteristics and performance requirements, reference to brand names should be avoided. Where brand names are used, it should be accompanied by the words "or equivalent".
- d) Specifications should be precise and should avoid duplication of the same service or performance requirements.
- e) A Bid Specification Committee shall consider and submit to AO for specifications approval with a threshold value of above R200,000.00

- f) Demand Management supervisor must also serve as the Bid Specification Committee secretary.

17.5 Registration on Central Supplier Database

A supplier is a provider of goods or services, which meets the criteria of the ADM, who is registered on the CSD and who is able to perform services or supply. The ADM will only contract with suppliers registered on the CSD unless exempted. If in any instance the need arises to utilise a supplier not registered on the CSD, the AO must grant approval.

18. ACQUISITION MANAGEMENT

- 18.1 The word 'acquire' means to obtain or attain something which, in the government context, may be a good and/or service that is required to fulfil a need. Acquisitions Management thus refers to the management of the entire process of acquiring that particular good and/or service, which satisfies the need. This process covers the acquiring of the good and/or service by implementing and administration of the sourcing strategy. This second phase of the SCM system is established in in-line with NT Regulation 16A3.2(d)(ii).
- 18.2 The primary objective of Acquisitions Management is to fulfil the demand determined by the Demand Management phase of SCM. Acquisition's Management is thus driven by the ADM's Procurement Plan and refers to a process of establishing: what will be acquired, when, how and from where it will be acquired, how much is required and at what price, as well as contracting with the vendor. The desired outcome is a well-managed process of acquisition that results in the satisfaction of the need.
- 18.3 The purpose of acquisition management is to:
- a. Invitation of bids/ quotations;
 - b. Receive bids/ quotations and record them in the bid/ quotation registers;
 - c. Conduct preliminary evaluation report for bids or comparative schedule for quotations;
 - d. Confirm availability of funds with the Responsibility Manager/ end-user prior to award of quotation
 - e. Table offers to BEC for bids > R200 000.00
 - f. Table BEC recommendations to BAC;
 - g. Provide secretariat functions to BEC and BAC;
 - h. QAC/ BAC resolution must be validated by AO;
 - i. Advertise award of bids in the same media used for invitation;

- j. Monitor appeals period;
- k. Prepares letters of awards and/or regret letter.
- l. Acquisitions Management supervisor must also serve as the Bid Evaluation Committee secretary.

18.4 The quotations or bid must be compiled, solicited and responses received must be evaluated and awarded by the authorised person or committee.

19. STANDARD PROCUREMENT PROCEDURES AND PROCESSES

The following standard procurement procedures and process may be utilised to procure the required goods and services:

- a) **Sole Sourcing:** Bid offers are solicited from a sole supplier. There is no competition and only one (1) bidder exists. The Accounting Officer must grant considerations and approval for this procurement.
- b) **Single Source:** Offers may be requested from a single source where a task represents a natural continuation of previous work carried out by the service provider or in cases of emergency. The Accounting Officer must grant considerations and approval for this procurement.
- c) **Bidding Open procedure:** Bidders may submit bid offers in response to an invitation issued by the ADM.
- d) **Qualified procedure:** A call for expressions of interest is advertised and thereafter only those bidders, who have expressed interest, satisfy objective criteria and who are selected to submit bid offers, are invited to do so.
- e) **Quotation procedure:** Procurement offers are solicited from not less than ten (10) quotations by selecting prospective service providers registered on the Central Supplier Database and must obtain three (3) quotations from CSD. Market or industry or commodity analysis must be taken into consideration in the invitation of quotations. If the less than three quotations are received a request to deviate must be granted by the AO or his/her Delegate.
- f) **Proposal procedure using the two-envelope system:** Bidders submit technical and financial proposals in two envelopes. The financial proposal is only opened should the technical proposal be found to be acceptable.
- g) **Petty cash procedure:** Procurement must be conducted in line with the applicable ADM Petty cash policy.
- h) **Negotiation with preferred bidders:** Negotiation with bidders identified as preferred bidders through a competitive bidding process, may take place if such process does not allow the bidder

concerned a second (unfair) opportunity to the detriment of other bidders. A record of such negotiation must be kept for record purposes.

- i) Rotation System in the Panels: A panel arrangement is a tool for the procurement of goods or services regularly acquired by an entity. In a panel arrangement, several suppliers are selected, each of which are able to supply identified goods or services to an entity.

Background

- a. A panel is the result of a procurement process, where a number of suppliers are appointed through an open tender process
- b. The process followed to form a panel is an assessment of suppliers against stipulated evaluation criteria. Only suppliers that met the minimum functionality threshold and represent value for money would be included on a panel.
- c. Once the procurement process has been concluded to establish the panel. Procurement can then be undertaken directly with suppliers on the panel.

Panels within the municipality and procedure to be followed when allocating work

Panels: Service Providers Appointed based on Price and Preference points only.

- i. A minimum of three suppliers are selected and invited from the Panel list. Awards are made on price and preference points.
- ii. Awarded service providers are eliminated from the next round of invites to ensure fairness, transparency, and equal distribution of work amongst the panel.

d. Panels: Services providers Appointed based on fix rate

- i. An appointment is made to a single company as all service providers on the panel are restricted to fix rate.
- ii. Awards are on a rotational basis. If there are circumstances that might warrant a deviation from a rotational process a submission for deviation will be generated and signed by the relevant authority.

To ensure improved service delivery and quicker turnaround times in terms of Public Finance Management Act 1 of 1999 (PFMA) and Municipal Finance Management Act, 2003 (MFMA). The ADM shall through a competitive bidding process put in place panels of experienced and competent Professional Service Providers to assist in providing support on project-by-project basis. The directives issued by National or Provincial Treasury shall be taken into consideration when such contracts are arranged. The service providers will be required to enter into a Service Level Agreement (SLA) with the ADM. The participants on the panel must have the capacity, functional skills, knowledge and experience, to provide the services required at a level

acceptable to the ADM. Participants on the panel will be allocated assignments based on their assessed suitability as required by the Terms of Reference issued for each project. The selected service provider will be required to complete the deliverables as agreed in the signed Engagement Letter/s and relevant Terms of Reference as well as within the budgets agreed upon for each assignment. The ADM shall stipulate the rates to be paid per hour (inclusive of disbursements and VAT) per consultant, dependent on the level of experience and knowledge required for that assignment. The Letter of Engagement relating to the particular assignment will stipulate such rates and/or a total budget and will need to be accepted and signed prior to commencement of each assignment. The ADM would endeavour to ensure an equitable distribution of work amongst all professional service providers appointed into the panel. The participants on the panel are therefore expected to respond adequately to the Terms of Reference that are issued per the project. Service providers shall treat all available data, methodologies and templates provided by the ADM as strictly confidential and not available for any form of distribution or use other than on the project in respect of which the information was made available. The information of the project remains the property of the Amajuba District Municipality.

- j) **Advertisements for Specific Audience:** Targeted media shall be used to communicate, publicise and market the ADM activities. The selected media for such advertisement must be relevant to the targeted audience. Quotation/s shall be requested from relevant media that would reach the targeted audience. The AO must approve such procurement.
- k) **Events Management:** The ADM through a competitive bidding system shall put in place a panel of service providers from which quotations per event shall be invited from. The specification for such must be explicit regarding the items that must be procured by the main contractor from community members where the event will take place. This shall include but not limited to the use local caterers from within that particular local municipality for community catering. Catering costs for VIPs must be kept at minimal costs and must only be for specifically invited dignitaries.
- l) **Conference, meetings or training venue:** Only government venues must be used for ADM functions unless otherwise justifiable reasons are approved by the Accounting Officer based on the motivation submitted by the Programme Manger and Responsible Director for such a deviation. Requisitions should be submitted to the SCMU at least ten (10) working days prior to the event. If a government venue cannot be secured bidding SCMU should obtain the required services by means of written competitive bidding.
- m) **Artists:** Musicians or performing artists must be sourced from a database administered by the Municipality of Arts and Culture and the rate charged by the musicians and performing artists should be in line with the rates set out in the **Provincial's Government's "Municipality Honoraria and Special Payment Policy"**.

- n) **IT Requirements:** The IT requirements must be procured in line with the Service Level Agreement signed with the **State Information Technology Agency**.
- o) **KZN Banking Services:** ADM shall arrange a contract for the provisioning of the banking services for the Municipality. This service shall be procured through a competitive bidding process.
- p) **Confirmation of Availability of Funds:** Prior to the awarding of contract the Responsible Director must confirm in writing the availability of funds.

20. SOURCING METHODS

20.1 Petty Cash Procurement

- a) The AO shall prescribe in the SCM Delegated Powers the procedures that will ensure sound financial management of funds when goods or services are procured by means of petty cash.
- b) Goods and services with values not exceeding R2 000.00 (Including VAT) shall be used in line with the ADM petty cash procedures
- c) Purchases may be within the petty cash threshold but may be excluded from petty cash purchases in line with the petty cash exclusions. Such cases are to be procured using the ordering system with one written quotation.

20.2 Written Price Quotations above the transaction value of R2 000.00 but not exceeding R30,000.00

- a) Applicable to the purchase of all goods and services estimated to cost R 2000.01 up to R 30,000. 00
- b) Excludes appointment of consultants.

20.2.1 Written Quotations for transaction values of R2000.01 but not exceeding R 200 000.00 (Inc. VAT)

- a) Goods and services may be procured by obtaining three (3) written quotations from prospective suppliers registered on the Central Supplier Database. Invitation of offers must be communicated to service providers in writing using the prescribed ADM quotation invitation documents. Only written offers shall be considered. The SCMU must keep evidence such as CSD nomination and invitation email sent to the prospective service providers that were invited to submit offer. Closing date and time for the submission of offers must be observed. All offers received must be recorded in the

Quotation Opening Register. Late offers or unsolicited offers shall be deemed non-responsive and shall not be considered but must be recorded as late or unsolicited in the Quotation Opening Register. Validity period of offers received must be observed. Orders may not be issued in offers with an expired validity period. In the event that it is impractical to obtain at three (3) written offers justifiable reasons must be recorded and approved by the AO or his/her Delegate.

- b) Quotation invitation document must be issued in a prescribed format with a clear detailed specification, conditions of contract, mandatory administrative documents and evaluation criteria. The specification and the evaluation criteria shall not be aimed at limiting competition, but it must ensure fairness, equity, transparency, competitiveness and cost-effectiveness. The specification shall not include trade/ brand names, however where the use of trade/ brand names is the only known way to accurately describe the product required the word "or equivalent" shall be included in the specification. Where the specification is based on an industry standard or product approval such as SABS or SANAS or CKS, reference to applicable standard in the specification shall be deemed sufficient.
- c) Quotation invitation document must clearly indicate the place, dedicated fax number or e-mail address where offers must be submitted and also the date and time to submit offers must be explicit the invitation document. All offers received are deemed confidential until the adjudication process is finalised. Offers received must be ranked in a comparative schedule. End user must grant consent for the SCMU to proceed with the awarding of the quotation. Budget availability must be confirmed prior to the final approval of the most responsive offer. Quotation must be awarded to the lowest price to specification/ TORs.

20.2.2 Written Quotations for transaction values of R30,00 00.01 but not exceeding R 200 000.00 (Inc. VAT)

- a) Procurement offers are solicited from not less than ten (10) quotations by selecting prospective service providers registered on the Central Supplier Database and must obtain three (3) quotations from CSD. Market or industry or commodity analysis must be taken into consideration in the invitation of quotations. Quotations for Goods and services may be procured by obtaining three (3) written quotations from prospective suppliers registered on the Central Supplier Database. Invitation of offers must be communicated to service providers in writing using the prescribed ADM quotation invitation documents. Only written offers shall be considered. The SCMU must keep

evidence such as CSD nomination and invitation email must be sent to the prospective service providers that were invited to submit offer. Closing date and time for the submission of offers must be observed. All offers received must be recorded in the Quotation Opening Register. Late or unsolicited offers shall be deemed non-responsive and shall not be considered but must be recorded as late or unsolicited in the Quotation Opening Register. Validity period of offers received must be observed. Orders may not be issued in offers with an expired validity period. In the event that it is impractical to obtain at three (3) written offers justifiable reasons must be recorded and approved by the Delegated person.

- b) Quotation invitations documents must be issued in a prescribed format with a clear detailed specification, conditions of contract, mandatory administrative documents, preferential procurement point specific goals and evaluation criteria. The specification and the evaluation criteria shall not be aimed at limiting competition, but it must ensure fairness, equity, transparency, competitiveness and cost-effectiveness. The specification shall not include trade/ brand names, however where the use of trade/ brand names is the only known way to accurately describe the product required the word "or equivalent" shall be included in the specification. Where the specification is based on an industry standard or product approval such as SABS or CKS, reference to applicable standard in the specification shall be deemed sufficient.

20.3 Written Quotations for transaction values of above R200,000.00 (Inc. VAT)

- a) Applicable to the purchase of goods and services estimated to cost more than R200,000.00 and to projects or appointment of consultants for all values.
- b) In general, not all bids should be invited on the basis of functionality as a criterion. The need to invite bids on the basis of functionality as a criterion depends on the nature of the required commodity or service taking into account quality, reliability, viability and durability of a service and the bidder's technical capacity and ability to execute a contract.
- c) The AO will appoint in writing a BTEC who will assess compliance to functionality criteria issued with the bid. The BTEC shall score points for functionality compliance and offers that score below the minimum functionality points shall be disqualified non-compliant. Reasons for disqualification must be articulated clearly in the BTEC report.
- d) Qualifying offers shall be evaluated on price only.
- e) The BTEC report shall be tabled to BEC. The BEC recommendations shall be tabled to BAC for approval.
- f) Bidder with the lowest price to specification or TORs must be award the contract, unless if there are compelling and justifiable reasons not to do so.
- g) The BAC resolution shall be validated by the AO.

21. LOGISTICS MANAGEMENT

- 21.1 The purpose of Logistics Management is to place orders against contracts for goods and services, receive and distribute goods, setting of inventory levels and management of stores where stock of stationary is kept (including coding of items, setting of inventory levels). The process should also activate the financial system to generate payments.
- 21.2 The logistic process must cater to activate the financial system to generate payments against orders placed/received. When orders are issued the under listed principles must apply:
- a) A proper acquisition process (competitive bid or quotation) has been followed and a supplier has been duly contracted.
 - b) All orders have been authorised by the relevant manager through his/her delegated authority and must be raised through the CCG System for all goods and services and the Asset module in the CCG systems for all assets.
 - c) The budget must be available and approved and the order must be placed against the relevant budget.
 - d) Goods and services must be comprehensively described and must be within the specification of the contract or standard where such uniform standard exists.
 - e) Goods and services must be received, verified against the specification and payment must be authorised by the relevant Responsible Director in terms of the financial delegations.
 - f) All payments must be processed through the CCG System for all goods and services and assets must be process on SAGE systems.
 - g) All invoices must be received by the Logistics Unit. Invoices must be date stamped to indicate date of receipt and must be recorded in the invoice tracking register prior to forwarding to the Responsible Director. The Responsible Director must confirm in writing that for confirmation that the service/ supply was executed as per the specification. This confirmation shall grant authority to the Logistics Management Unit to process the invoice received.
 - h) The approved invoice by the Responsible Director must be checked on the BAS System by the Logistics Management
 - i) The Logistics Management compile batches for commitments and assists Responsible Manager in clearing of commitments. Logistics Management compiles letters to the Responsible Managers on clearing outstanding commitments within stipulated timeframes. Logistics Management arranges meeting with Responsible Manager to clear commitments as and when required.

22. PERFORMANCE, REPORTING AND RISK MANAGEMENT

The main purpose of Performance Management and Reporting is to improve governance within the Supply Chain Management cycle, implementation of preferential procurement targets and reporting on the performance of Supply Chain Management in the Municipality. Risks are primarily addressed through directives for the SCM processes.

- a) It works together with each of the main functional areas and provides an overall performance of the ADM Supply Chain Management.
- b) It consists of a retrospective analysis to determine if proper SCM processes were followed during the procurement cycle.
- c) Monitor adherence to the to the relevant SCM legislation and internal policies
- d) Recording of all Provisioning Forms and monitor SCM turnaround times against the set standards
- e) Monitor completeness of all SCM Registers
- f) Submit monthly and quarterly reports within the timeframes determined by National or Provincial Treasury.
- g) SCM Risks associated with fraud, corruption and collusion must be addressed by adequate segregation of duties between specification, acquisition, ordering, vendor performance management and approval of invoices.
- h) Demand not identified in advance places undue pressure on the SCMU, which may lead to mistakes in the acquisition process and consequential legal actions.
- i) The SCMU must keep an up to date Risk Register.

23. CONTRACT MANAGEMENT

Purpose of Contract Management is to guide the processes relates to contract management in the ADM. The management of contracts must be done in a manner that upholds the Constitutional supremacy for public sector procurement system, which must be fair, equitable, transparent, competitive and cost effective. The management of contracts must stand the test of public scrutiny in matters of discretion, integrity, accountability and yield value for money outcomes. Contract Management deliberately focuses on activities associated with the operational dynamics post award of contract. It is however, fully acknowledged that successful contract management is significantly dependent on what happens before, during and post tendering process and that result to award contracts. Consequently, procurement process and contract management should be seen as a continuum phases. The oversight of contract management must address the following key issues:

- a) Enforcement of contracts Terms and Conditions.
- b) Provide contract administration.
- c) Receives regular reports on contract performance
- d) Maintain complete and accurate Contract Register
- e) Records of payments made in line with the contract agreement must be kept up-to-date
- f) The management of contracts is conducted to, amongst other reasons, inform future procurement activities, selection of service providers to be awarded contracts, as well as to inform the choice of contract types, and the drafting of contracts. As a result, regular reviews should be conducted to determine the extent to which contracts represented good value for money, or not.

24. BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The KwaZulu-Natal Provincial Treasury (ADM) acknowledges the historical disparities of the previously disadvantaged communities and commit to promote the rights of all people of South Africa and affirm the democratic values of human dignity, equality and freedom. The ADM focuses on seven over-arching priorities which are: Economic Transformation and Job Creation; Education, Skills and Health; Consolidating the Social Wage Through Reliable and Quality Basic Services; Spatial Integration and Human Settlements; Social Cohesion and Safe Communities; A Capable, ethical and Developmental State; and A better Africa and World, on its quest to achieve the National Development Plan (NDP) objectives. The above statement maps out the strategic focus of the ADM to implement the government transformation agenda with the aim to redress the socio-economic imbalances of the past, through the maximization of participation of the Black people in economic opportunities that are available in the ADM. The ADM is committed to implementation of a preferential procurement system that is aimed at redressing the socio-economic imbalances of the past through Enterprise and Supplier Development Programme aimed at enhancing income generation by business enterprises that are owned by the HDI. The procurement process of the ADM is regulated by the Supply Chain Management prescripts thus the ADM shall not contradict the applicable SCM prescripts in implementing its ESD programme. The ESD contracts will be concluded with service providers who would have been selected through a competitive tendering process.

24.1 B-BBEE Procurement Strategies

- a) Advertising tenders in the eTender Portal, local newspapers or selection of eligible service providers from the Central Supplier Database
- b) Tender invitations to be issued with specific goals requirements

- c) Quotations to be invited through the Central Supplier Database from business enterprises who meet the specific goals of the ADM
- d) Pairing of panel members based on classification capacity of firms in line with the Rotation Policy
- e) The ADM will enter into an ED or SD monetary and/or non-monetary agreement with the beneficiary
- f) The ED or SD beneficiary will issue a letter confirming the value and nature of assistance received from the ADM

25. ADMINISTERING THE PROCUREMENT OF GOODS AND SERVICES THROUGH A TENDERING PROCESS

- a) Goods and services above R 200 000.01 must be acquired through the competitive bidding process.
- b) The standard bidding documents developed by Provincial Treasury must be used.
- c) The AO must appoint in writing the BSC, BEC and BAC.
- d) The BTEC will be appointed in writing by the AO on project-by-project basis
- e) Committee members must be adequately trained and should understand and comply with ethical standards.
- f) Bid committee meeting is properly constituted if it is 50% plus one of its members' present
- g) Bid committee must be representative of appropriate operational disciplines within the Municipality
- h) Members may be appointed for a period of one year.
- i) At least one member per committee should be a SCM practitioner
- j) Decision shall be taken by a majority of the members present at the meeting voting in favour or against.
- k) SCMU shall provide the appropriate secretariat function during the meetings. The minutes of the meetings shall be kept in a safe place by the secretariat for audit purposes.
- l) Minutes must be signed by all present in a meeting confirming that they are a true reflection of the meeting.

25.1 Bid Specification Committee

- a) The BSC is responsible for compiling of specifications.
- b) The BSC must also consider if all the required quality assurance standards have been met with regards to the type of goods or services required.
- c) The specifications must be compiled in an unbiased manner to allow all potential bidders to offer their goods and/or services without favour or prejudice.

- d) Terms of Reference must be drawn up for the service required clearly indicating the scope of the requirements, ratio between price and functionality, evaluation criteria as well as the weights and values.
- e) BSC must ensure that proper strategic sourcing principles are applied in addition to General Conditions of Contract, relevant Special Conditions and Conditions of Contract
- f) The specification committee may be comprised of:
 - i) Appropriately skilled officials
 - ii) One or more suitably qualified specialist officials,
 - iii) Or an external consultant under the direction of the official or component concerned.
- g) The specification must clearly articulate the requirements and description that meet the needs and expectations of multiple users. The specification is based on a commodity analysis or industry analysis or market research.
- h) The specification shall be neutral, functional and not brand specific. The specification shall not be aimed at limiting competition, but it must ensure fairness, equity, transparency, competitiveness and cost-effectiveness.
- i) The specification shall not include trade/ brand names however where the use of trade/ brand names is the only known way to accurately describe the product required the word “or equivalent” shall be included in the specification.
- j) Where the specification is based on an industry standard or product approval such as SABS/ SANAS or CKS, reference to applicable standard in the specification shall be deemed sufficient.
- k) The commodity analysis or industry analysis or market research must determine the sourcing strategy.
- l) The evaluation criteria stipulated in the bid document must be in accordance with ADM service delivery outcomes, preferential procurement targets and other strategic goals of the Municipality.
- m) The BSC will consider and recommend specification for transaction values of above R200,000.00. The Accounting Officer shall validate the decision of the BSC prior to the invitation of bids or quotations invitation.
- n) Approved specifications shall be kept in a specification catalogue that will be managed by the Demand Management Unit. The approved specifications shall remain valid for a period of three (3) years and/or may be reviewed as required based on the commodity analysis or industry analysis or market research.
- o) The BSC should be cross-functional of whom at least one member should be a SCM practitioner. The BSC should at least compromise of a minimum of five members. The quorum of the meeting should be 50% plus 1 member. The BSC may co-opt on an ad-

hoc basis a specialist due to expertise required on a relevant topic, related to a bid to be considered by the Committee.

- p) The draft specification or terms of reference must be submitted to the BEC for comments prior to finalisation

25.2 Bid Evaluation Committee

The Bid Evaluation Committee (BEC) shall evaluate offers with transaction value of above R 1 million. The BEC is responsible for the evaluation of offers received, which include verification of:

- a) Review the administrative compliance check conducted by SCM.
- b) The capability/ability of the bidder to execute the contract, from a technical, managerial and financial perspective.
- c) Whether the offer is to specification in respect of quality, functionality, dimensions, design, customer support, guarantee, etc.
- d) Whether the offer is economically viable.
- e) Number of contracts awarded to bidder in contention during the preceding twelve months. The SCMU must keep the applicable records.
- f) Allocation of preference points.
- g) Representative in the composition of the bidder and the possibility of fronting.
- h) Success/failure in executing contracts awarded to a bidder previously.
- i) Tax Clearance pin issued by the SARS and conflict of interest
- j) Compulsory registration on CSD.
- k) National Industrial Participation programme requirements (only applicable to contracts more than US \$ 10 million)
- l) Bids are evaluated in accordance with the criteria specified in the bid documentation.
- m) The BEC should be cross-functional and should be comprised of supply chain practitioners and suitably skilled officials from other relevant disciplines. The BEC members will be appointed for a period of one year.
- n) A Bid Evaluation Committee should consist of a minimum of five (5) members. The quorum of the meeting should be 50% plus 1 member.
- o) The BEC should evaluate all bids received and submit a report with recommendations regarding the award of the bid to the BAC.

25.3 Bid Adjudication Committee

- a) The BAC shall adjudicate offers with transaction value of above R 1 million.
- b) The BAC must be cross-functional, in order to ensure that collectively the BAC possess sufficient expertise to ensure sound adjudication for each bid under consideration. The

BAC should be transversal representing the various operations within the ADM. The BAC members will be appointed for a period of one year. At least one member must be a SCM practitioner.

- c) The chairperson of the BAC should be the CFO.
- d) The BAC should be composed of at least five members, at appropriately senior level. The quorum of the meeting should be 50% plus 1 member.
- e) The BAC should consider the reports and recommendations made by the BEC. The BAC must consider if the recommendation made by BEC sufficiently indicates that all relevant factors contained in the evaluation criteria issued with the bid have been taken into account and that the recommendation made represents a logical and justifiable conclusion based on all relevant information at the disposal of the BEC.
- f) BAC must ensure that all necessary bid documents have been submitted. Disqualification of offers are justified and valid and accountable reasons or motivation were furnished for passing over of offers.
- g) The BAC must ensure that the scoring of offers is fair, consistent and correctly applied and bidders' declarations of conflict of interests have been taken into consideration.
- h) Members of the BEC may present their reports/recommendations to the BAC and clarify any uncertainties.
- i) Each recommendation must be supported by clear and concise motivation. If the BAC is not in agreement with the BEC decision the BAC shall refer the recommendation back to the BEC with reasons for reconsideration. If consensus is not reached between the BAC and BEC the matter shall be forwarded to the Accounting Officer for consideration. The Accounting Officer may after consideration of the reasons ratify or reject the decision of the BAC.
- j) The AO shall validate the award by the BAC. If the AO deviate from the BAC decision the Auditor General and the KZN Provincial SCM must be notified of the reasons for deviating from such recommendation.
- k) The AO may consider when required to do so, reports regarding the amendment, variation, expansion, extension, cancellation or transfer of contracts awarded by BAC.

25.4 Bid Technical Evaluation Committee or Co-Opted Members

- a) The AO may appoint any official (subject to being no conflict of interest in doing so) to participate in the BTEC on an ad-hoc basis, due to his/her expertise on a relevant topic, related to a bid considered.
- b) The BTEC shall provide technical assistance in the constructing of technical specifications or Terms of Reference or functionality evaluation of offers received as

prescribed in the evaluation criteria issued with the bid. The BTEC may be co-opted by the BSC or BEC to conduct technical assessments.

- c) The co-opted members are subject to the same rules of SCM code of conduct.

25.5 Operational Requirements of Bid Committees

- a) All bid committee members will be appointed in writing by the AO.
- b) In order for committee members to meet their obligations, members must be familiar with and adhere to all applicable SCM legislation, policy, guides practice note, instruction notes and applicable circulars.
- c) Bid members must be appointed annually or as and when deemed necessary by the AO.
- d) All members of the bid committees shall sign a Code of Conduct defining conduct in the execution of the function they are appointed to.
- e) It is recommended that an annual schedule of all committee meetings must be drawn up for approval by the chairpersons of all committees. Meetings should be scheduled on specific days, to be cancelled only where there are no items to deal with. Meetings to be cancelled will be communicated by the secretariat after consultation with the chairperson.
- f) Attendance of committee meetings scheduled is part of the duties of the members appointed and must form part of the performance assessments so that meetings scheduled are given priority to ensure service delivery occurs timeously. Members who miss more than three consecutive meetings without valid or without apologies will be reported through the AO.
- g) The quorum for all bid meetings will be 50 % plus 1 member.
- h) All members of the bid committees should declare their interest in every meeting attended. Copy of declaration of interest is attached as **Annexure A**. If a member does have interest, the member must recuse himself/herself from the meeting.
- i) A member of the committee should promote the common goal of the Committee. There should be no lobbying of votes.
- j) All bid proceedings and decisions taken in all meeting shall be properly minuted, signed and filed appropriately in a bid file for audit purposes.
- k) Information or documentation relating to bids are strictly confidential.
- l) Where a particular technical necessary skill/ expertise, which either the committee or the relevant Responsible Director considers key in the drafting of the TORs/ specification or successful evaluation, the AO may source such technical skill/s from outside the ADM. Care must be taken that there is no conflict of interest.

25.6 Rules of Conduct of the Bid Committees and Secretariat

The bid committee members and secretariat must:

- i) Have competency in knowledge and application of the correct procedure;
- ii) Courteous behaviour;
- iii) The integrity of the committees and SCM practitioners must never be compromised and highest level of professional competence must be maintained;
- iv) Committee members and secretariat must be cleared at the level of “Confidentiality” and must not make anything known regarding the meeting unless officially authorised and should be required to declare their financial interest annually;
- v) Not purposefully favour or prejudice anybody;
- vi) Conduct meetings in orderly manner and protect rights of every member and secretariat
- vii) Vice chairperson shall preside over the meeting in the absence of the chairperson or if the chairperson wants to partake in the discussion in a partial manner.

25.7 Procurement of Goods and Services under Contracts Secured by Other Organs of State

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 the other organ of state by means of a competitive bidding process applicable to that organ of state
- b) The procurement process reviewed by the ADM and no reasons were found 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.

26. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

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

27. PROCUREMENT OF GOODS AND SERVICES BY MEANS OTHER THAN THROUGH THE INVITATION OF COMPETITIVE BIDS

- a) It is however, recognized that there will be instances when it would be impractical to invite competitive bids.
- b) In this regard, Treasury Regulation 16A 6.4 provides for such instances where Accounting Officers can dispense with competitive bidding processes to procure goods and services by other means.
- c) This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole services providers.
- d) The reasons for such action must be recorded and approved by the Accounting Officer.
- e) AO must report within fourteen (14) working days to Provincial Treasury and the Auditor-General, all cases procured in terms of Treasury Regulations 16A 6.4.
- f) Provincial Treasury and the Auditor General will consider the report and take appropriate actions if and when necessary.
- g) AO may allow the dispense of official procurement processes directed in this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:
 - i) In an emergency
 - ii) If such goods or services are produced or available from a single or sole provider only
 - iii) For the acquisition of special works of art or historical objects where specifications are difficult to compile
 - iv) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- h) The SCMU must maintain complete and accurate records for the reasons for any deviations in terms SCM prescripts.

28. INFORMATION SYSTEMS

28.1 Central Suppliers Database

- a) The Central Supplier Database administers supplier registration and facilitates the verification of supplier information.
- b) It is mandatory for the ADM to conduct business with suppliers registered on the CSD for all categories of procurement undertaken.
- c) Deviations to utilise exempted service providers must be approved by the AO.

28.2 e-Tender Publication Portal

- a) It is mandatory for the ADM to publish the following e-Tender Portal:
 - i) Invitation of bid
 - ii) Amendments to advertised bids

- iii) Cancellations of bids and
- iv) Awards of bids.

The ADM utilises both the purchasing module and the inventory/stock module. The Asset Management Policy outlines the intricacies for the management of the assets in the ADM.

29. SUPPLY CHAIN MANAGEMENT GOVERNANCE

The ADM is committed to the under listed SCM good governance principles:

- a) ADM official who becomes aware of a breach of or failure to comply with any aspect of the SCM system, must immediately in writing report the breach or failure to the AO or corruption hotline.
- b) The officials and role players:
 - c) Must treat all providers or potential providers equally;
 - d) May not use their position for private gain or to improperly benefit another person; and
 - f) ADM officials must be honest in their use of ADM's funds and property.
- g) The AO shall take all reasonable steps to prevent abuse, corruption and collusion in the SCM system through at least regular internal audit reviews and external audit as well as risk assessments in the ADM procurement system.
- f) AO shall investigate all reported allegations of corruption, improper conduct or non-compliance.
- g) To take steps against such official or other role player and inform the AO of such steps.
- h) Report any conduct that may constitute an offence to the SAPS.
- i) All service providers shall be made aware of the ethical standards of the ADM
- j) The ADM officials must recognise and disclose any conflict of interest that may arise.
- k) Officials or other role players should not place themselves under any financial or other obligation to individuals or organisations that might seek to influence them in the performance of their official duties.
- l) No award shall be made to a person in terms of this Policy:
 - i. Who is in the service of the state;
 - ii. If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- m) The AO must ensure that the notes to the annual financial statements disclose particulars of any award 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 -
 - i. The name of that person;
 - ii. The capacity in which that person is in the service of the state; and
 - iii. The amount of the award.

- n) SCMU and particularly ADM official dealing directly with service providers or prospective bidders, are required to:
 - i. Provide all assistance in the elimination of fraud and corruption;
 - ii. Be fair and efficient
 - iii. Achieve the highest professional standards in the awarding of contracts.
- o) The directives of the Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004 shall be adhered to
- p) The AO must reject a proposal for award if service provider recommended for award, has engaged in corrupt or fraudulent activities in competing for the contract in question.
- q) 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. Exploiting errors in bids; and
 - iii. Soliciting bids from bidders whose names appear on the list of restricted bids/ suppliers/ persons
 - iv. Fronting practices

30. RESPONSIBILITIES

30.1 The Accounting Officer Responsibilities

- a) Establish and implement the ADM SCM Policy
- b) Appoint in writing the committee members
- c) Promote effective and sound financial management
- d) Accountable for all transactions concluded during the SCM processes.
- e) Validate the resolutions of the QAC and BAC

30.2 The Chief Financial Officer Responsibilities

- a) Oversee the implementation of effective, efficient and progressive SCM system in the ADM
- b) Ensure that all employees involved in SCM are trained to execute their functions.
- c) All SCM officials must sign the SCM Code of Conduct.

30.3 Programme and Responsible Manager

Must ensure adherence to SCM prescripts within their respective Units when executing SCM related functions.

31. IMPLICATIONS OF NON-COMPLIANCE WITH THIS POLICY

Failure to comply with this policy shall be construed as a financial misconduct and the transgression hereof shall be subjected to disciplinary measures in line with the provisions of the Public Service Act.

32. POLICY EFFECTIVE DATE AND REVIEW INTERVALS

This policy will come into effect on 16 January 2023 and shall be reviewed every 12 Months or as and when determined by the Accounting Officer.

33. REPEAL

This Policy repeals the ADM Supply Chain Management Policy of 30 June 2022.