LEPHALALE
LOCAL Municipality

LIM362 SUPPLY CHAIN MANAGEMENT POLICY DRAFT 2027

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Date of adoption: 01November 2005

Council resolved in terms of Section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the **LEPHALALE MUNICIPALITY.**

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Abbreviation

AO	Accounting Officer (Municipal Manager)
BAC	Bid Adjudication Committee
BEC	Bid evaluation committee
BSC	Bid Specification Committee

CCA	Closed Corporations Act, Act No 69 of 1984
CIDB	Construction Industry Development Board
CFO	Chief Financial Officer
HDI	Historically Disadvantaged Individual
HOD	Head of Department (S57 manager)
IFMS	Integrated Financial Management System
MFMA	Municipal Finance Management Act, 2003 (Act 56 of 2003) ("the Act")
NT	National Treasury
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
PPR	Preferential Procurement Paragraphs, 2011
PSP	Professional Service Provider
PT	Provincial Treasury
RFI	Request for Information
RFQ	Request for Quotation
SARB	South African Reserve Bank
SARS	South African Revenue Services
SASAE	South African Standard on Assurance Engagements
SCM	Supply Chain Management
SCMU	Supply Chain Management Unit
SCP	Supply Chain Procedures
SITA	State Information Technology Agency
SARS	South African Revenue Services
SABS	South African Bureau of Standards
SMME	Small Medium and Micro Enterprise
TOR	Terms of Reference
LLM	Lephalale Local Municipality

List of Definitions

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the MFMA and/or the procurement paragraphs has the same meaning as in the MFMA and/or the procurement paragraphs, and: -

“Acceptable Bid”- means any bid or quotation which, in all respects, complies with the specification and conditions as set out in the procurement document, upon which a final award will be made;

“**Accounting Officer**” - means a municipal official appointed in terms of section 60 of Municipal Finance Management Act, 2003 or the person who has been appointed to perform the functions in the absence of the accounting officer or during a vacancy;

“Bid” – (or tender) means a written offer in a prescribed or stipulated form in response to and in consonance with the invitation by the Lephalale Local Municipality’s requirements, either for the provision of services, works or goods, or in compliance with the specifications and conditions of the bid as set out in the procurement document. For the purpose of, and throughout, this policy the term “Bid” shall be equivalent to and be used interchangeably with “Proposal” and “Tender”, particularly when referring to the procurement of consultants;

“Bidder” – (or tenderer) refers to an eligible contractor, manufacturer, supplier, distributor and/or consultant competing for an award of a contract in the LLM. A contractor, manufacturer, supplier, distributor and/or consultant is said to be eligible if it meets all the eligibility requirements issued by the LLM;

“Bid Committees” – refers to the Specification Committee, Evaluation Committee and Adjudication Committee. The Adjudication Committee is responsible for adjudicating the award of bids on the basis of the recommendation (evaluation report) submitted by the Evaluation Committee based on bids developed by the Specification Committee. For the purpose of and throughout this policy, the term “Bid Committees ” shall be equivalent to and be used interchangeably with “the “Committee System”, particularly when referring to the competitive bidding process;

“CIDB Register of Projects” - In terms of Act 38 of 2000, the Construction Industry Development Board (CIDB) must establish a Register of Projects that gathers information on the nature, value and distribution of projects and provides the basis for a best practice project assessment scheme to promote the performance of public and private sector clients in the development for the construction industry.

“Competitive bidding” – means competitive bidding process as envisaged by the SCM Paragraphs;

“Competitive bid” - means a written offer on the prescribed forms in response to a published invitation by the Municipality and in compliance with paragraph 12(1) (d) of MFMA for the submission of offers in respect of the provisioning of goods or services;

“Consultant” - means a natural or juristic person or partnership who or which, as an independent contractor, provides any of the following services on an **ad hoc** basis to the LLM against remuneration:

a) Expert advice;

b) Drafting of proposals for the execution of specific tasks; and/or

c) Execution of specific tasks, which are of a technical or intellectual nature;

“Contract” - means the agreement that results from the acceptance of a quotation or bid by the Municipality;

“Cost Effectiveness” – means cost effectiveness as envisaged by the Framework for SCM Paragraphs;

“**Construction Works**”- a construction works contract means a contract for the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset, including building and engineering infrastructure.

“Control” - the possession and exercise of legal authority and power to manage the assets, goodwill and daily operations of a business and the active and continuous expertise of appropriate managerial authority and power in determining the policies and directing the operations of the business.

“Councillor” - means a member of a municipal council.

“Equitable” – means equitable as envisaged by the Framework for SCM Paragraphs;

"Evaluation Committee" – refers to evaluation committees as appointed by the accounting officer. The evaluation committees are responsible for assessing bids with a view to submitting a recommendation (evaluation report) to the Adjudication Committee for the award of the contract to the preferred bidder;

"Fair" – means fair as envisaged by the Framework for SCM Paragraphs;

"Final award" - means the final decision on which bid or quote to accept and conclude a contract**;**

"Formal written price quotation" - means a written offer made on the prescribed forms by a supplier or service provider in response to a request from the Municipality and in compliance with the prescribed thresholds in this policy, the price should be fixed, considering price fluctuations where applicable**;**

"Functionality" means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents;

"Goods & Services" – refers to all items, supplies, materials and general support services, except consulting services and infrastructure projects, which may be needed in the transaction of the LLM's business or in the pursuit of any municipal undertaking, project or activity;

"Head of Department" - means manager referred to in section 78 of MFMA;

"Highest acceptable tender" means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

"HDI" – "Historically Disadvantaged Individual (HDI)" – means a South African Citizen (1) 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 (2) Who is a female; and /or (3) Who has a disability; 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;

"**Informal price quotation" -** means a written offer made by a person, business or enterprise in response to a request from the Municipality;

“Infrastructure” - projects include construction, improvement, rehabilitation, demolition, repair, restoration, or maintenance of buildings and engineering works included in the provision of municipal services and other related construction projects of the LLM as envisaged in the Construction Industry Development Board Act 38 0f 2000. For the purpose of, and throughout this policy, the term “infrastructure” shall have the same meaning as and shall be used interchangeably with “with Building or Engineering Works and Construction or Maintenance Projects”;

“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) a member of the accounting authority of any national or provincial public entity; or

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

“List of accredited prospective providers” - means the list of accredited prospective providers which a municipality must keep in terms of section 21, 28,29 &35 of this policy;

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

“Lowest acceptable tender” means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;

“MFMA or the Act” – refers to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

“**Multiple Source limited bidding**”- Limited competition hence only a few prospective service providers are allowed to make a proposal but this should be based on a thorough analysis of the market.

“**Municipality**” - means the Lephalale Local Municiplaity (LLM);

“**Municipal Manager**” - means a person appointed in terms of section 82(1) (a) or (b) of Local Government: Municipal Structures Act (Act no 117 of 1998) and who is the head of administration and also the accounting officer for the Municipality;

“National Treasury” has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

“**Order” -** means an official instruction, processed and printed on the Municipality’s official order form, which is issued to a successful tenderer to supply goods or services in accordance with the accepted price quotation or tender;

“Organ of state” - means an organ of state as defined in section 239 of the Constitution.

“**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 (Act No. 38 of 2000)

“People with disabilities” has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);

“Disability” - means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being ;

“Person” - includes reference to a juristic person;

“PPPFA” – refers to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);

“**Preferred bidder”-** means any bidder who during the evaluation process scores the highest points and/or is recommendable for appointment.

“Preferential Procurement Paragraphs“ - means the paragraphs to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) issued by the Minister of Finance on 20 January 2017.

“Price” means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

“Privileged or confidential information” means any information:

a) determined by the bid specification, evaluation or adjudication committee to be privileged or confidential;
b) discussed in close sessions by any of the bid committees;
c) disclosure of what would violate a person’s right to privacy;
d) declared to be privileged, confidential or secret in terms of any legislative framework.

“Procurement Delegations” – refers to the Procurement delegations issued by the Accounting Officer in terms of section 79 and 106 of the MFMA. This includes Sub-delegations system.

“Procurement Documents” – refers to the procurement documentation distributed to prospective bidders during the solicitation of bids from bidders. The Procurement Documents contain the information required for bidders to submit their bids to the LLM.

“Prospective provider or Supplier Register” refers to the database of accredited prospective provider/suppliers established in terms of paragraph 14 from whom bid offers will be requested.

“Rand value” means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

“Responsive Bid” one that conforms to all items, conditions, and specification of the bid documents without material deviation or qualification.

“Requisition” means the official request for the procurement of supplies or services which is submitted on the prescribed form, accompanied by the

specifications or terms of reference according to which price quotations or bids are to be invited.
"Scope of Work" - means procurement document that specifies and describes the supplies, services, or engineering and construction works, which are to be provided, and any other requirements and constraints relating to the manner in which the contract work is to be performed.

"Scoring models" – refers to the scoring models used to evaluate bids. Scoring models apply the evaluation criteria identified in the Procurement Documents to competitive bids.

"Service providers"

a) "Professional Service Provider":
Any person or body corporate that is under contract to the Employer for the provision of Professional Services.

b) "General Service Provider":
Any person or body that is under contract to the Employer for the provision of any type of service.

"**Single source bidding"** – Based on a thorough analysis of the market and use a transparent and equitable pre-selection process, to request only one amongst a few prospective service providers to make a proposal.

"Small, Medium and Micro Enterprise (SMME)" - means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule of the National Small Business Act, 1996 (Act No. 102 of 1996) and which can be classified as a micro- a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3,4 and 5 of the Schedule opposite the smallest relevant size or class as mentioned in column 2 of the Schedule;

"**Sole source bidding**" – There is no competition and only one bidder exists, e.g. sole distribution rights.

"SCM Unit" – refers to the LLM's Supply Chain Management Unit that falls under the auspices of the Chief Financial Officer (CFO).

“SCM Directives” – refers to the SCM Directives maintained by the SCM Unit in LLM. The SCM Directives constitute instructions to the LLM that address key decision points and contentious issues in procurement and other phases of the SCM system. The Directives are dynamic. The SCM office communicates new and updated Directives via SCM Circulars.

“SCM Paragraphs” – refers to the Paragraphs in terms of the Municipal Finance Management Act, 2003: Framework for Supply Chain Management (Government Gazette Number 27636 on 30 May 2005).

“SCM Standard Operational Procedures” – means Procedures that translate SCM Delegations and SCM Directives into the day-to-day procedures required to manage demand, acquisition, logistics, disposal; risk and performance in the SCM system;

“Specific goals” means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.

“tender” means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;

“tender for income-generating contracts” means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions;

“Supplier” – refers to any supplier of works, goods and services (professional and other) to the LLM.

“Treasury” has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and

“**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);

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

“Youth” has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

Preamble

Introduction

The Supply Chain Management (SCM) Policy of the Lephalale Local Municipality sets a framework for meaningfully managing, monitoring and reporting of procurement activities and provides the procedures to be followed in procurement. The SCM policy is located within the South African legislative framework. The laws that are currently applicable include: the Constitution of the Republic of South Africa (Act 108 of 1996), the Preferential Procurement Policy Framework Act (Act 5 of 2000) and the Local Government: Municipal Systems Act (Act 32 of 2000), Local Government: Municipal Finance Management Act (Act 56 of 2003)

The principles of this policy are those set out in the legislative frameworks mentioned above in particular that of realizing value for money and good governance and ensuring cost effectiveness and competitive equitable, transparent and fair access to procurement opportunities to all. The SCM policy forms part of the overall business systems of the Lephalale Municipality and will be supported by specific procurement systems aimed at improving both procurement and overall business performance.

Mandate

Section 111 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and SCM Paragraphs mandates the Lephalale Local Municipality to develop, implement and maintain a procurement and provisioning system as part of the Supply Chain Management (SCM) system.

The SCM gives effect to Section 217(2) of the Constitution of the Republic of South Africa, (Act No. 108 of 1996) which mandates the Municipality as an organ of state to implement a preferential procurement policy in accordance with a nationally prescribed framework, the Preferential Procurement Policy Framework Act (Act 5 of 2000).

Purpose of the SCM Policy

As an organ of state, the Lephalale Local Municipality has a duty to ensure that all the legislative requirements are satisfied. Accordingly, all procurement policies (including those addressing preferential procurement), procedures and practices must be consistent with these requirements, in particular Part 1 of Chapter 11 and other provisions of the MFMA.

The objectives of this policy are:

(a) To provide a procurement system according to which the Lephalale Municipality will procure goods and services; dispose goods; and letting of assets in a manner that is fair, equitable, transparent, competitive and cost effective.

(b) To provide a system for managing demand, acquisition, logistics, disposal, risk and performance.

(c) To promote local public administration system in terms of Chapter 7 of Municipal Systems Act and Municipal Finance Management Act, Promotions of Access to Information Act, (Act 2 of 2000, and Promotion of Administrative Justice Act (Act 3 of 2000).

(d) To comply with the Paragraphs, norms and standards that may be prescribed in terms of section 168 of MFMA and other applicable legislation.

(e) To promote economic policies concerning investments and doing business with the public sector.

(f) To give effect to the Preferential Procurement regulations of 2022

Scope and Application of the Policy

1. This policy is applicable to the entire Lephalale Local Municipality employees and must be strictly adhered to. The policy provides a uniform procurement approach applicable to:

   (a) General goods and services (provisioning);

   (b) Consulting services (from built environment and other consultants)

   (c) Construction in line with the Construction Industry Development Board prescripts and National Treasury;

   (d) Property (leasing);

   (e) Disposal of redundant assets as per asset management policy;

   (f) Selection of contractors to provide assistance in the provision of municipal services other than in circumstances where Chapter 8 of the Municipal Systems Act applies;

   (g) Selection of external mechanisms for the provision of municipal services as 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 the MSA.

2. Within the context of the Supply Chain Management the policy covers the whole process from needs identification to contract closure.

3. The application of the policy is further supported by specific legislation, including but not limited to the following:

   (a) The procurement of information technology and related services. Such procurement must be performed according to the provision of State Information Technology Agency Act (Act 88 of 1998). As per Section 7(g) of the Act, the State Information Technology Agency is empowered to act as a procurement agency in respect of information technology requirements in accordance with state procurement policy regarding the provision of data processing services, training, application software development and maintenance services, technical, functional and business advice and support, and related management services.

   (b) Public Private Partnership, which must be procured in accordance with Municipal Investment and PPP paragraphs - Gazette number 27431, 1 April 2005 Paragraph issued in terms of MFMA.

   (c) Procurement and disposal of firearms.

4. This policy, except where provided otherwise, does not apply in respect of procurement of goods and services as contemplated in section 110(2) of the MFMA, where the Lephalale Municipality procures from another organ of state including water and electricity from Department of Water Affairs or Eskom respectively, or other public entity, municipality or municipal entity.

Legislative Framework

Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)

Section 217(1) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) provides the basis for procurement and determines that:

"When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective”.

This section of the Constitution establishes the overarching procurement framework, namely that procurement must be:

- Fair;
- Equitable;
- Transparent
- Competitive; and
- Cost effective.

Section 217(2) of the Constitution establishes South Africa’s preferential procurement policy, namely that:

Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for:

a. Categories of preference in the allocation of contracts; and

b. The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

Section 217(3) of the Constitution (as amended) confers an obligation for national legislation to prescribe a framework providing for preferential procurement to address the social and economic imbalances of the past, viz;

National legislation *must* prescribe a framework within which the policy referred to in subsection (2) *must* be implemented.

Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) (PPPFA).

Effect was given to section 217(3) of the Constitution in the form of the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) (PPPFA). The PPPFA provides a framework within which procurement policies referred to in section 217 (3) must be implemented.

The PPPFA requires organs of State to determine their preferential procurement policies and implement it within a framework prescribed in the Act.

Municipal Finance Management Act (Act 56 of 2003)

A Policy Strategy to Guide Uniformity in Procurement Reform Processes in Government was approved by Cabinet in September 2004 as a strategy to point out the direction that Government is moving towards in the implementation of Supply Chain Management within Government. This strategy is intended to guide the uniform implementation of Government's procurement reform initiatives as well as the issuing of Paragraphs in terms of the Municipal Finance Management Act (Act 56 of 2003) in respect of the Framework for Supply Chain Management.

The MFMA requires the Municipality to have and implement a Supply Chain Management Policy. The Supply Chain Management Policy must be in accordance with Section 217 of Act 108 of 1996. The Act further requires that the Municipal Manager as Accounting Officer to ensure that the Municipality has and maintains a Supply Chain Management Policy.

CHAPTER 1

ESTABLISHMENT AND 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 **LEPHALALE MUICIPALITY** 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 Treasury Regulations; and

  (ii) any circular, minimum norms and standards that may be prescribed in terms of Section 168 of the Act;

(d) Is consistent with other applicable legislation;

(e) Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and

(f) Is consistent with national economic Policy concerning the promotion of investments and doing business with the public sector.

(2) This Policy applies when the **LEPHALALE MUNICIPALITY** -

(a) procures goods or services;

(b) Disposes goods no longer needed;

(c) Selects contractors and suppliers to provide assistance in the provision of municipal services Otherwise than in circumstances where Chapter 8 of the Municipal Systems Act

applies; or

(d) Selects external mechanisms referred to in Section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in Section 83 of that Act.

(4) 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; and

(b) 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. The accounting officer must report any deviation from the guideline standard to the National Treasury and the relevant Provincial treasury.

4. Delegation of supply chain management powers and duties

(1) The **Lephalale 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, favoritism and unfair and irregular practices in the implementation of this Policy; and

(d) To comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act.

(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 council or accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of **LEPHALALE 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 (5.2) of this paragraph and paragraph 4 of this Policy, as well as the system of delegation.

(2) The power to make a final award -

(a) Above R10 million (VAT included) may not be sub delegated by the accounting officer;

(b) Above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –

- (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

(c) Not exceeding R2 million (VAT included) may be sub delegated but only to-

- (i) The Chief Financial Officer;
- (ii) A senior manager;
- (iii) A manager directly accountable to the chief financial officer or a senior manager; or
- (iv) A bid adjudication committee.

(d) Between R30 000 and R300 000.00 shall be delegated to chief financial officer.

(e) Between R2 000 and R30 000 shall be delegated to the SCM Manager.

(3) An official or bid adjudication committee to which the power to make final awards has been sub delegated an accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including-

(a) The amount of the award;

(b) The name of the person to whom the award was made; and

(c) The reason why the award was made to that person.

(4) A written report referred to in subparagraph (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 financial officer or the senior manager responsible for the relevant bid, in the case of an award by -

- (i) 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 (3) and (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 **Lephalale Municipality Council** reserves its right to maintain oversight over implementation of this Policy.

(2) For the purposes of such oversight the accounting officer must -

(a) (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 shared control of the Municipality, to the Council of the Municipality; and

- (iii) 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.

7. Supply chain management unit

(1) Lephalale Local Municipality has a supply chain management unit to assist the accounting officer 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.

8. Training of supply chain management officials

The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training and aligned with the minimum competency levels as stipulation in Section 119 of the MFMA.

CHAPTER 2
SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This Policy provides systems for -

(i) demand management;
(ii) acquisition management;
(iii) logistics management;
(iv) disposal management
(v) risk management; and
(vi) Performance management.

Part 1: Demand management

System of demand management

10. (1) the accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the **Lephalale Municipality** support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

(2) The demand management system must -

(a) Include timely planning and management processes to ensure that all goods and Services required by the **Lephalale Municipality** are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;

(b) Take into account any benefits of economies of scale that may be derived in case of acquisitions of a repetitive nature; and

(c) Provide for the compilation of the required specifications to ensure that its needs meet the planning and management process.

(d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximised.

3) Major Activities in Demand Management

a) Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:

i) establishing requirements;

ii) determining needs; and

iii) deciding on appropriate procurement strategies.

b) Demand management accordingly shall involve the following activities in co-operation with all Directorates:

i) understanding the future needs;

ii) identifying critical delivery dates;

iii) identifying the frequency of the need;

iv) linking the requirement to the budget; and

v) compilation of a procurement (bid) plan aligned with the above for whom the Directorates will take responsibility by submitting their bids according to the bid plan to ensure effective and sufficient service delivery.

Part 2: Acquisition management

System of acquisition management

11. (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure-

(a) That goods and services are procured by the **Lephalale 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 a contract, are in accordance with any applicable legislation; and

(e) That any Treasury guidelines on acquisition management are properly taken into account.

(2) When procuring goods or services contemplated in Section 110(2) of the Act, the accounting officer must make public the fact that such goods or services

are procured otherwise than through **Lephalale Municipality's** supply chain management system, including-

(a) The kind of goods or services; and

(b) The name of the supplier.

Range of procurement processes

12. (1) Goods and services may only be procured by way of-

(a) Petty cash purchases, up to transaction value of R300.00 (VAT included);

(b) Formal written price quotations for procurements of a transaction value over R2000 up to R300 000 (VAT included); and

(c) A competitive bidding process for-

(i) procurements above a transaction value of R300 000 (VAT included); and

(ii) The procurement of long-term contracts.

(2) The accounting officer may, in writing-

(a) Lower, but not increase, the different threshold values specified in subparagraph (1); or

(b) Direct that -

(i) formal written price/ verbal quotations be obtained for any specific procurement of a transaction value higher than R2 000 but lower than R300 000; or

(ii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds of R300 000 specified in subregulation (1)(c)(i) to (iii) as per amendment to regulations regarding SCM management Government Gazette 14 December 2023.

(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. 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.

(4) The range of procurement processes set out in paragraph 12(1) above can graphically be set out as follows:

PROCESS	VALUE	ADVERTISEMENT
Petty Cash Purchases	Up to R300 [VAT included]	No
Formal Written Price Quotations	Over R2 000 [VAT included] up to R 300 000 [VAT included]	Yes
Competitive Bidding	Over R300 000 [VAT included] or Long Term Contracts exceeding one [1] year	Yes

General precondition for consideration of written quotations or bids

13. A written quotation or bid may not be considered unless the provider who submitted the quotation or bid -

(a) Has furnished that provider's-

(i) full name;

(ii) identification number or company or CK;

(iii) tax reference number and VAT registration number, if any;

(iv) Municipality rates and taxes are in order, i.e. are not in arrears and are not older than three months from the date of issue. Proof of residents bearing the traditional authority letterhead or stamp will suffice for rural areas residents and

(c) Has indicated -

(i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

(iii) Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

d) Prohibition on awards to persons whose tax matters are not in order (Previously Regulation 43).

i) No award may be made in terms of this policy to a person whose tax matters has not been:

ii) declared by the South African Revenue Service to be in order.

iii) Before making an award to a person the accounting officer must first check with Central supplier database (CSD) or SARS whether that person's tax matters are in order.

e) Prohibition on awards to persons in the service of the state (previously regulation 44). Irrespective of the procurement process followed, no award may 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

iii) a person who is an advisor or consultant contracted with the Lephalale Municipality.

f) Awards to close family members of persons in the service of the state (previously regulation 45).

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 –

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.

Lists of accredited prospective providers

14. 1(a) to keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality or municipal entity through formal written price quotations**;".**

The Central Supplier Database will be utilised by the municipality to verify the following information:

a) Business registration; including details of directorship and membership;

b) Bank account holder information;

c) In service of the state status (Persal);

d) Tax compliance status;

e) Identity numbers;

f) Tender defaulting and restriction status.

Additional information (persons in service of the state for municipalities, municipal entities and public entities) is verified against the CSD when implementation is finalized.

2) The accounting officer must –

a) utilise the Central Suppliers Database (list of accredited prospective providers) of goods and services to procure through formal written price quotations; and.

4) A supplier must complete a MBD 4 in terms of the paragraph 12.

Petty cash purchases

15. 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 -

(a) Petty cash resides in Financial Services;

(b) Excludes subsistence and travel claims; and

(c) A monthly reconciliation report from dedicated officials 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.

Formal written price quotations

16. (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**;

(b) Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14 (1) (b) and (c) of this Policy;

(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 incase of competitive bidding, if it is not possible to obtain at least three quotations or responses by bidders, the Accounting Officer may proceed with the award without furnishing reasons and is exempted as a deviation.

(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.

Procedures for procuring goods or services through formal written price quotations

18. 1. (a) A supply chain management policy must determine the procedure for the procurement of goods or services through formal written price quotations, and must stipulate—"; and

(b) All requirements in excess of R2 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice boards of Lephalale **Municipality**; and be evaluated, approved and awarded by chief financial officer or the delegated official.

(c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;"; and

(d) that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a subdelegation; and"."

(e) Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;

(f) Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points.

(g) Lephalale Municipality will maintain a proper record keeping.

Competitive bids

19. (1) Goods or services above a transaction value of R300 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 R300 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.

Process for competitive bidding

20. 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

- (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement / service level agreement

(h) Proper record keeping

- (i) Original/ legal copies of written contracts agreements should be kept in a secure place for reference purposes.
- (ii) During acquisition of goods or services through competitive bidding , in case less than three bids are received after all the required steps

including obtaining competitive bids, proper evaluation, and approval were followed .The accounting office may proceed with the appointment of the contract and the awarded tender should not be reported on the deviation register

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, 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 case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;

(b) Include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation.

(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 bidders 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

(c) 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.

Public invitation for competitive bids

22. (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** 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 (where applicable.)

(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.

(3) Bids submitted must be sealed.

(4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

Procedure for handling, opening and recording of bids

23. (1) 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

(iii) Publish the entries in the register and the bid results on the website.

(2) **Late Bids**

(a) Bids or quotation arriving after the specified closing time shall not be considered and where practicable and cost effective shall be returned to the bidder unopened with a letter explaining the circumstances.

(b) Bid documents must clearly state the venue where the bidding box is situated for each bid. Any bid delivered to the wrong bid box will not be considered, even if it was delivered on time.

(c) Where it's necessary to open a late bid or quotation to obtain the name and address of the sender, each page of the document shall be stamped "late bid" before the bid is returned to the bidder. The envelope must be stamped and initialed in like manner and must be retained for record purposes.

(3) **Amendments before the closing date**

The Municipality is entitled to amend any bid condition, validity period, specification or plan, or extend the closing date of such a bid or quotation before the closing date, provided that such amendments or extensions are advertised and/or that all bidders to whom bid documents have been issued, are advised in writing per registered post or by fax of such amendments or of the extension clearly reflecting the new closing date and time. For this reason employees issuing bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued.

(4) **Dealing with bids and quotations if the closing date thereof has been extended**

Where the closing date of a bid or quotation is extended, the notice which makes known such extensions shall also mention the bids or quotations already received, will be retained unopened in the bidding box and be duly considered after the expiry of the extended period, unless the bidder requests that such bid or quotation to be returned to the bidder or unless the bidder cancels it by submitting a later dated bid or quotation before the extended closing date.

(5) **No amendments after the closing date allowed**

The Municipality is not entitled to amend any bid condition, validity period, specification or plan after the closing date of the bid and before the acceptance of a bid or quotation has been notified.

Negotiations with preferred bidders

24. (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation-

(a) Does not allow any preferred bidder a second or unfair opportunity;
(b) Is not to the detriment of any other bidder; and
(c) Does not lead to a higher price than the bid as submitted.
(2) Minutes of such negotiations must be kept for record purposes.

Two-stage bidding process

25. (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.

Committee system for competitive bids

26. (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) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

27. (1) A bid specification committee must compile the specifications for each procurement of goods or services by the **Municipality**.

(2) 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 labeling 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 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 Preferential Procurement Regulations 2001; 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 end-user responsible for the function involved, 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.

Bid evaluation committees

28. (1) A bid evaluation committee must-

(a) Evaluate bids 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 valid, and;

(d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible in addition to members appointed by accounting officer be composed of-

(a) Officials from departments requiring the goods or services; and

(b) at least one supply chain management practitioner of the **Municipality**.

(3) 50 + 1 of the members shall form a quorum.

Bid adjudication committees

29. (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 no in arrears, and;
- (ii) notify the accounting officer

(b) The accounting officer may -

- (i) after due consideration of the reasons of 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.

(7) The accounting officer must comply with Section 114 of the Act within 10 working days.

Procurement of banking services

30. (1) A contract for banking services-

(a) Must be procured through competitive bids;

(b) Must be consistent with Section 7 or 85 of the Act; and

(c) May not be for a period of more than five years at a time.

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

Procurement of IT related goods of services

31. (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** disagrees 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.

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

32. (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

(a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

(b) There is no reason to believe that such contract was not validly procured;

(c) There are demonstrable discounts or benefits to do so; and

(d) That other organ of state and the provider have consented to such procurement in writing.

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

(a) A municipal entity procures goods or services through a contract secured by its parent Municipality; or

(b) A Municipality procures goods or services through a contract secured by a municipal entity of which it is the parent Municipality.

Procurement of goods necessitating special safety arrangements

33. (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel should be avoided wherever 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.

Proudly SA Campaign

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

- Firstly – suppliers and businesses within the Municipality or District;
- Secondly – suppliers and businesses within the relevant Province;
- Thirdly – suppliers and businesses within the Republic.

Appointment of consultants

35. (1) A supply chain management policy may allow the accounting officer to 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 R300 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 service 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 of 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.**

35.2 .Engagement of Consultants

(a)Accounting Officers must only contract with consultants after a gap analysis report has confirmed that the Municipality does not have the requisite skills or resources in its permanent employment to perform the services required.

(b)Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the Municipality.

(C)Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:

(i).determined in the "Guidelines on fees for audits done on behalf of the Auditor-General South Africa", issued by the South African Institute of Chartered Accountants (SAICA);

(ii) .set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA); or

(iii)Prescribed by the body regulating the profession of the consultant.

(d)Ensure an exacting “specification” of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded and monitored.
(e)Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, accounting officers must invoke such clauses, where deemed necessary.
(f) It is mandatory that accounting officers of municipalities conclude on the best “value for money”, i.e. matching fees against quality and against benchmarked practices.
(g) Accounting officers of municipal must appoint consultants on a time and cost basis with specific start and end dates.
(h)Travel and subsistence costs for the appointment of consultants will be in accordance with the travel Policy of government and the contract price shall specifies all travel & subsistence costs
(I)• If travel and subsistence costs for appointed consultants are exclusive of the contract, the costs must be in accordance with the following provisions:
(i) Hotel accommodation may not exceed the amount mentioned in table 1 of the Policy (national treasury circular 4 of 2016/2017);
(ii) Only economy class air tickets may be purchased for flights;
(iii) Only group B vehicles or lower may be hired for engagements, as mentioned in this Policy;
(iv) Kilometres claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.
(J) Accounting officer to develop and implement consultancy reduction plans (which must include factors such as skills transfer with specific time frames).
(K) Undertake all engagements of consultants in accordance with the SCM Regulations and the Municipality’s SCM Policy

Deviation from and ratification of minor breaches of, procurement processes

36. (1) The accounting officer may –

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

- (i) in an emergency
- (ii) if such goods or services are produced or available from a single provider only;
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- (iv) acquisition of animals for zoos and/or nature and game reserves; or
- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties, which are purely of a technical nature.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this Policy and report them to the next meeting of the council and 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.

Unsolicited bids

37. (1) In accordance with Section 113 of the Act there is 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 person who made the bid is the sole provider of the product or service; and

(d) The reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

(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 must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

(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.

Combating of abuse of supply chain management system

38. (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 of failure to comply with this Policy, and when justified -
  - (i) take appropriate steps against such official or other role player; or
  - (ii) report any alleged criminal conduct to the South African Police Service;

(c) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;

(d) Reject any bid from a bidder -
  - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the **Municipality**, or to any other Municipality or municipal entity, are in arrears for more than three months; or
  - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the **Municipality** or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

(e) Reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

(f) Cancel a contract awarded to a person if-
  - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

(g) Reject the bid of any bidder if that bidder or any of its directors -

(i) has abused the supply chain management system of the **Municipality** or has committed any improper conduct in relation to such system;

(ii) has been convicted for fraud or corruption during the past five years;

(iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

(iv) has been listed in the Register for Tender Defaulters in terms of Section 29 of the Prevention of Combating of Corrupt Activities Act (No12 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),(e) or (f) of this Policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

39. 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, in 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.

Disposal management

40. (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to Sections 14 and 90 of the Act, are as follows:

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; or

(iv) Destroying the asset.

(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 charges 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.

Risk management

41. (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:

Risk management must include –

(a) The identification of risks on a case-by-case basis;

(b) The allocation of risks to the party best suited to manage such risks;

(c) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

(d) The management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

(e) The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

42. 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.

Part 4: Other matters

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

43. (1) No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a person the accounting officer must first check with 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.

Prohibition on awards to persons in the service of the state

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

(a) Who is in the service of the state.

(b) If that person is not a natural person, of which any director, manager, principal shareholder, or stakeholder is a person in the service of the state; or

(c) 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

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 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.

Ethical standards

46. (1) A code of ethical standards as set out in subparagraph (2) 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) An official or other role player involved in the implementation of this Policy -

(a) Must treat all providers and potential providers equitably;

(b) May not use his or her position for private gain or to improperly benefit another person;

(c) May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;

(d) Notwithstanding subparagraph (2) (c), must declare to the 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 of, or in any award of a contract by, the **Municipality.**

(f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

(g) Must be scrupulous in his or her use of property belonging to **Municipality.**

(h) Must assist the accounting officer in combating fraud, corruption favouritism and unfair and irregular practices in the supply chain management system; and

(i) 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, favoritism or unfair conduct.

(ii) any alleged contravention of paragraph 47(1) of this Policy; or

(iii) any alleged breach of this code of ethical standards.

(3) Declarations in terms of subparagraphs (2) (d) and (e) -

(a) Must be recorded in a register, which the accounting officer must keep for this purpose;

(b) By the accounting officer must be made to **the mayor of the Municipality** who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

(5) A breach of the code of ethics must be dealt with as follows -

(a) in 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.

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

47. (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.

Sponsorships

48. 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.

Objections and complaints

49. 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.

Resolution of disputes, objections, complaints and queries

50. (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

Contracts providing for compensation based on turnover

51. 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.

Payment of sub-contractors or joint venture partners

52. The chief financial officer or an official designated by the chief financial officer may consent to the direct payment of sub-contractors or joint venture partners by way of:

(a) an approved cession; or

(b) an agreement for direct payment.

Extending or varying a contract

53. (1) Subject to subSection (2), the Municipality on its own initiative or upon receipt of an application from the person, body, organisation or corporation supplying goods or services to the Municipality in terms of this Policy, may resolve to extend or vary a contract if:-

(a) The circumstances as contemplated in paragraph 36[1][a] prevail; or

(b) With due regard to administrative efficiency and effectiveness, the accounting officer deems it appropriate.

(2) The Municipality may not extend or vary a contract:-

(a) More than once.

(b) For a period exceeding the duration of the original agreement; or

(c) For an amount exceeding twenty [20] percent of the original bid value.

(3) Within one [1] month of the decision referred to in sub-paragraph (1), the matters specified in sub-paragraph (4) must be:-

(a) Published by the Municipality at least in an appropriate newspaper circulating within the boundaries of the Municipality; and

(b) Displayed at a prominent place that is designed for that purpose by the Municipality.

(4) The matters to be published or displayed are:-

(a) The reasons for dispensing with the prescribed procedure;

(b) a summary of the requirements of the goods or services; and

(c) the details of the person, body, organization or corporation supplying the goods or services.

(5) The functions of the accounting officer in terms of this Section may not be assigned nor delegated.

54. Transportation and catering for public participation meetings

(a). The three quotation are required per route for transportation and this will not be regarded as the contravention of Section 12 (3) / 19 (2) of SCM

(b). Catering should be restricted to the minimum of 150 people unless if the total number of attendees is less than 300, then a lessor of higher minimum can be allowed.

This will not be regarded as contravention of Section 12 (3) / 19 (2) of the SCM as this is done to promote local companies.

55. Cession agreement

(a). Accounting officer or a delegated authority may allow cessions for the purpose of supplier/contractor development without putting Lephalale Municipality at higher risk. Such conditions are subject to standard terms and conditions of contracts.

Cessions may include the following:

55.1SUPPLIER-TO-SUPPLIER COMPANY BASED ON A VALID AGREEMENT

This is where company A decides to give less or 25 % of its work to a competent company based on certain challenges (financial or capacity-wise

/ specialized work) after the award (Preferential Procurement Regulation ,2011 pertaining to PPPFA,ACT NO 5 of 2000,10). The company may decide to cede its portion of the work based on a written cession agreement. The company is also required to notify Lephalale Municipality and explain the rationale behind such move, and such agreement must not compromise the terms and conditions of the initial contract. A cessionary may not enter into a cessionary agreement with the Service Provider who took part in the bidding process for the same Project .

55.1 CESSION BASED ON MATERIAL SUPPLIES Based on lack of finance, the company that was awarded the bid may cede part of its payment to suppliers who will claim 'from his/her payment certificate. In this case, Lephalale municipality may pay the suppliers directly or accept a formal agreement between the suppliers and contractors' payment conditions until the end of the contract, the cessionary should be in complaint with SCM regulations.

PREFERENTIAL PROCUREMENT REGULATION 2022

1.Lephalale Municipality has identified the following Goals in line with preferential procurement regulations 2022

- SMMES & South African Companies That supports SMMES
- SMME'S = HDI
- Job creation
- skills transfer
- upliftment of communities through and not limited to housing, transport, schools, infrastructure donations, and charity organizations.

2. Preferential points for specific goals for quotations procurement should be allocated to bidders who resides in order or priority from Lephalale Municiapality Waterberg, Limpopo and National and HDI.

Identification of preference point system

(1) An organ of state must, in the tender documents, stipulate—

(a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7;

(b) the specific goal in the invitation to submit the tender and quotation for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

17.(1) The tendering conditions may stipulate that specific goals, as contemplated in section 2(1)(d)(ii) of the Act , be attained.

(2) The stipulation contemplated in sub-regulations (1) must include the method to be used to calculate the points scored for achieving specific goals.

(3) Over and above the awarding of preference points in favour of HDIs, the following activities may be regarded as a contribution towards achieving the goals of the RDP (published in Government Gazette No. 16085 dated 23 November 1994):

(a) The promotion of South African owned enterprises;

(b) The promotion of export orientated production to create jobs;

(c) The promotion of SMMEs;

(d) The creation of new jobs or the intensification of labour absorption;

(e) The promotion of enterprises located in a specific provincefor work to be done or services to be rendered in that province.

(f) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.

(g) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;

(h) The promotion of enterprises located in rural areas;

(i) The empowerment of the work force by standardizing the level of skill and knowledge of workers;

(j) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and

(k) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organizations.

(4) Specific goals must be measurable and quantifiable, and organs of state must monitor the execution of the contract for compliance with such goals.

(2) If it is unclear whether the 80/20 or 90/10 preference point system applies, Lephalale Local Municipality must, in the tender documents, stipulate in the case of—

(a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or

(b) any other invitation for 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.

2. 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million both quotations and competitive bidding.

(1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$Ps = 80\left(1 - \frac{Pt - P\,min}{P\,min}\right)$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for both quotation and competitive bidding. (The allocation of preference points for tenders above the quotation threshold to be decide and allocated per tender).

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

3. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

(1) The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

Where-

$$Ps = 90\left(1 - \frac{Pt - P\min}{P\min}\right)$$

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

(2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender. (The allocation of preference points for tenders above the quotation threshold to be decide and allocated per tender)

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

4.80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

(1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million,

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

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

(2) A maximum of 20 point s may be awarded to a tenderer for the specific goal specified for the tender. (The allocation of preference points for tenders above the quotation threshold to be decide and allocated per tender)

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

5.90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90\left(1 - \frac{Pt - Pmax}{Pmax}\right)$$

Where:

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax= Price of highest acceptable tender.

(2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender. (The allocation of preference points for tenders above the quotation threshold to be decide and allocated per tender)

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

Evaluation of tenders on functionality and price

(1) Lephalale Local Municipality must, in the tender documents, indicate if, in respect of a particular tender invitation, tenders will be evaluated on functionality and price.

Criteria for breaking deadlock in scoring

(1) 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.

(2) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots by bid adjudication committee.

Remedies

(1) If Lephalale Local Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must—

(a) inform the tenderer accordingly; and

(b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.

(2) After considering the representations referred to in subregulation (1)(b), the Municipality may, if it concludes that such information is false—

(a) disqualify the tenderer or terminate the contract in whole or in part; and

(b) if applicable, claim damages from the tenderer.

Policy Review

(1) The accounting officer must -

(a) At least annually review the implementation of this Policy; and

(b) When the accounting officer considers it necessary, submit proposals for the

APPENDIX A: CODE OF CONDUCT FOR SCM ROLE PLAYERS

THE NATIONAL TREASURY

MUNICIPALITY / MUNICIPAL ENTITY

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

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

1 General Principles

The municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, 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/contractorfor 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, favor, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
(d) must declare to the accounting officer details of any reward, gift, favor, 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 forfinancial 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.

Practitioners must assist the accounting officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system. 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, favoritism or unfair conduct;
- (ii) any alleged contravention of the policy on inducements, rewards, gifts and favors to municipalities or municipal entities, officials or other role players; and
- (iii) any alleged breach of this code of conduct.

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

4 Openness

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

5 Confidentiality

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 / contractor's personal rights.

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.

6 Bid Specification / Evaluation / Adjudication Committees

6.1 Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.

6.2. Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

6.3 All members of bid adjudication committees should be cleared by the accounting_officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

6.4 No person should-

6.4.1 interfere with the supply chain management system of the; or

6.4.2 amend or tamper with any price quotation / bid after its submission.

7 Combative Practices

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

(i) Suggestions to fictitious lower quotations;

(ii) Reference to non-existent competition;

(iii) Exploiting errors in price quotations / bids;

(iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

Commencement

This Policy takes effect from ……… March 2026 subject to annual review.

SIGNED AT LEPHALALE ON ________________________

FP Nogilana-Raphela

MUNICIPAL MANAGER