INGQUZA HILL
LOCAL MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY 2026/27

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REVIEW HISTORY

LAST REVIEW DATE	SUMMARY OF CHANGES
May 31, 2024	• Multiple changes informed by implementation and review by National Treasury • Provisions and amendments in terms for December 2023 Gazette on SCM Regulations
March 28, 2025	• Amendment to Paragraph 2.3.31 – removal of second sentence
May 31, 2025	• Additions to the definitions in the definitions paragraph • Inclusion of Paragraph 2.3.21.3 – Tender Validity Period • Inclusion of Paragraph 2.3.21. – Extension of Tender Validity Period • Inclusion of Paragraph 2.3.30 – Participation in National Treasury's Transversal Contracts.
June 30, 2025	• Paragraph 2.3.2 – Range of Procurement – One quote for range R1 – R2000
May 31, 2026	• No amendments

DEFINITIONS

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Municipal Finance Management Act 56 of 2003 has the same meaning as in the Act, and –

1.	**Agent**	means a person mandated by another person ("the principal") to do business for and on behalf of, or to represent in a business transaction, the principal, and thereby acquire rights for the principal against an organ of state and incur obligations binding the principal in favour of an organ of state.
2.	All applicable taxes	includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
3.	Allocation" in relation to a municipality	means – [a] municipality's share of the local government's equitable share referred to in Section 214 (1) (a) of the Constitution. [b] an allocation of money to a municipality in terms of Section 214 (1) (c) of the Constitution; 3 [c] an allocation of money to a municipality in terms of a provincial budget; or [d] any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction.]
4.	BBBEE	means broad-based black economic empowerment as defined in section 1 of the BroadBased Black Economic Empowerment Act.
5.	BBBEE Status Level of Contribution	means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.
6.	Bid	means a written offer or bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods.
7.	Bidder	means any person submitting a bid.
8.	Black designated group	has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the BroadBased Black Economic Empowerment Act
9.	Black people	has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act
10	Break-out procurement	means the procurement of goods and services for any project of the Municipality in the smallest possible quantities without compromising the quality, coverage, cost or developmental impact of the goods and services.

11	Broad-Based Black Economic Empowerment Act	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
12	Closing Time	means the time and day specified in the bid documents for the receipt of bids.
13	Competitive bidding process"	means a competitive bidding process referred to in section 26 of this policy;
14	Competitive Bid	means a bid in terms of a competitive bidding process;
15	Comparative Price	means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration.
16	consortium or joint venture	means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity necessary for the execution of a contract
17	Construction Industry Development Board Act	means the Construction Industry Development Board Act, 2000 (Act 38 of 2000) and includes the regulations thereto.
18	Construction works	means any work in connection with: [a] the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure; [b] the installation, erection, dismantling or maintenance of fixed plant; [c] the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or [d] the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.
19	Consultant	means a person or entity providing services requiring knowledge-based expertise.
20	Contingency	means the amount varying in accordance with the nature of the contract.
21	Contract	means the agreement that results from the acceptance of a bid by the Municipality and awarded to the successful bidder.
22	Contract value	means the value of the contract.
23	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
24	Contractor	means a person or body of persons who undertakes to execute and complete constructions works.
25	Co-operative	means a co-operative registered in terms of section 7 of the Cooperatives. Act, 2005 (Act No. 14 of 2005)

26	Councillor	means a member of a municipal council
27	Day(s)	means calendar days unless the context indicates otherwise.
28	Delegated Authority	means any person or committee delegated with authority by the municipality in terms of the provisions of the relevant legislation.
29	Designated group	means- (a) black designated groups; (b) black people; (c) women; (d) people with disabilities; or (e) small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996);
30	Designated Sector	means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content
31	District municipality	means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category "C" municipality
32	EME	means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act
33	Employer	Means Ingquza Hill Local Municipality
34	end user	means a person who initiates the process of acquisition management and also plays a very important role during the evaluation process.
35	Mayor	means an executive mayor elected in terms of the Municipal Structures
36	extension of contracts	means contracts where the scope of works or duration must be extended. The possibility of adding to the scope of works exist
37	Final Award	in relation to bids or quotations submitted for a tender, means the final decision taken by the municipality for the award of the tender.
38	Firm Price	is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy or tax which in terms of a law or regulation is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.
39	Formal Written Price Quotation	means quotations referred to in section 2.3.7 of this policy;

40	fruitless and wasteful expenditure	means expenditure that was made in vain and would have been avoided had reasonable care been exercised.
41	Functionality	means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents
42	historically disadvantaged individual"	means a South African Citizen or any service provider; a] who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa Act, 1993 (Act No. 200 of 1993) or the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) ("the Interim Constitution"); and/or [b] who is a female; and/or [c] who has a disability; provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.
43	imported content	Means, that portion of the tender price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port of entry.
44	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;
45	irregular expenditure" in relation to a municipality or municipal entity,	means- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the

		MFMA, and which has not been condoned in terms of section 170 thereof; (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the Remuneration of Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law
46	local content	means that portion of the tender price which is not included in the imported content, provided that local manufacture does not take place.
47	local municipality	means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls and which is described in section 155(1) of the Constitution as a category "B" municipality.
48	long term contract	means a contract with a duration period exceeding one year
49	list of accredited prospective providers	means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of section 2.3.4 of this policy;
50	Management	in relation to an enterprise or business, means an activity inclusive of control and performed on a daily basis, by any person who is a principal executive officer of the company, by whatever name that person may be designated, and whether or not that person is a director.
51	Military veteran	has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);
52	municipal council	means a municipal council referred to in section 157(1) of the Constitution, 1996, and "council" shall have a corresponding meaning.
53	municipal entity	means an entity as defined in the Municipal Systems Act.
54	Municipal Finance Management Act	means the Local Government: Municipal Finance Management, 56 of 2003 and includes the regulations thereto, and "MFMA" shall have a corresponding meaning.
55	Municipality	when referred to as –

		a) an entity, means a municipality as described in section 2 of the Municipal Systems Act, and b) a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998).
56	municipal manager	means a person appointed by the municipality in terms of section 82 of the Municipal Structures Act and who is the head of IHLM administration and the accounting officer for the Municipality.
57	Municipal Structures Act	means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).
58	Municipal Systems Act	means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).
59	National Treasury	means the National Treasury established by section 5 of the Public Finance Management Act;
60	Non-Firm Prices	means all prices other than “firm prices"
61	organ of state	means an organ of state as defined in section 239 of the Constitution.
62	Original Equipment Manufacturer (OEM)	means machinery or any equipment needing original parts for repairs and maintenance.
63	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);
64	Own	having all the customary incidents of ownership, including the right of disposition, and sharing in all the risks and profits commensurate with the degree of ownership interest, as demonstrated by an examination of the substance, rather than the form of ownership arrangements.
65	People with disability	has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);
66	Person	includes reference to a juristic person.
67	Policy	means this Supply Chain Management Policy as amended from time to time.
68	Preferential Procurement Policy Framework Act(PPPFA)	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and includes the regulations thereto.
69	privileged or confidential information	means any information: a) (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 which would violate a person's right to privacy; d) declared to be privileged, confidential or secret in terms of any legislative framework.
70	Proof of B-BBEE status level of contributor	the B-BBEE status level certificate issued by an authorised body or person; (b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or (c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;
71	QSE	means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
72	quotation or quote	means a written or electronic offer made to the municipality in response to an invitation to submit a quotation.
73	rand value	means the total estimated value of a contract in Rand denomination which is calculated at the time of bid invitations and includes all applicable taxes and excise duties.
74	Regulation	means any clause contained in the Municipal Supply Chain Management Regulations published in terms of Section 168 of the MFMA.
75	renewal of contracts	means contracts such as rental agreements, software licences, etc. that are to be renewed on a periodic basis.
76	Republic	means the Republic of South Africa, and "RSA" shall have a corresponding meaning.
77	Rural area	means- (a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area
78	SARS	means the South African Revenue Services.
79	service providers	means 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.
80	SMMEs	means a separate and distinct business entity, including cooperative enterprises and nongovernmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy.
81	Sponsorship	means paying for or contributing towards the cost of an event.

82	stipulated minimum threshold	means that portion of local production and content as determined by the Department of Trade and Industry.
83	sub-contracting	means the primary contractor's assigning or leasing or making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract.
84	supply chain manager	means an official appointed by the IHLM Municipality to fulfil a vital role in the implementation, the monitoring and the continued application of this Policy.
85	Tender	means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods, through price quotations, advertised competitive tendering processes or proposals
86	the Act	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
87	the constitution	means the Constitution of the Republic of South Africa Act, 1996 (Act No. 108 of 1996)
88	the Regulations	means the Local Government: Municipal Financial Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005.
89	Township	means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;
90	Treasury	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
91	treasury guidelines	means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.
92	Trust	means the arrangement through which the property of one person is made over or bequeathed to a trustee to IHLM administer such property for the benefit of another person.
93	Trustee	means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be IHLM administered for the benefit of another person.
94	unauthorised expenditure	in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with Section 15 or 11(3) of the Act. a) overspending of the total amount appropriated in the municipality's approved budget; b) overspending of the total amount appropriated for a vote in approved budget;

		c) expenditure from a vote unrelated to the department of functional area covered by the vote; d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any condition of the allocation; or f) a grant by the Municipality otherwise than in accordance with the MFMA.
95	unsolicited bid	means an offer submitted by any person on his, her or its own initiative without having been invited by the municipality to do so.
96	variation order	means unforeseen costs pertaining to uncertain circumstances that are part of infrastructure projects.
97	written quotations	means quotations referred to in section 2.3.6 of this policy.
98	Youth	means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;
99	Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, closed corporations and firms, unless the context clearly indicates otherwise.	
10	All amounts/limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT).	

1. CHAPTER 1 ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

1.1 POLICY STATEMENT

The Ingquza Hill Local Municipality (The Municipality) is committed to and economic, efficient, effective, transformative, and socially just supply management process that balances redress, sustainability, and quality service delivery. In particular, the municipality embraces zero-tolerance on fraud, corruption, and maladministration in the implementation of the policy.

1.2 PURPOSE OF THE POLICY

The purpose of this policy is to regulate all Supply Chain Management practices within the Municipality as envisaged in the MFMA Act No 56 of 2003 and its Regulations. All employees must adhere, implement, and observe provisions and requirements of this policy.

All officials and other role players in the Supply Chain Management System of the Municipality must implement this Policy in a way:-

1) that gives effect to:
    a. Section 217 of the Constitution; and
    b. Part 1 of Chapter 11 and other applicable provision of the Act
2) That is fair, equitable, transparent competitive and cost effective and comply with a prescribed regulatory framework for Municipality Supply Chain Management.
3) That complies with any minimum norms and standards that may be prescribed in terms of Section 168
4) That is consistent with other applicable legislation
5) That ensures uniformity in Supply Chain Management Systems between organs of state in all spheres
6) That is consistent with National Economic Policy concerning the promotion of investments and doing business with the public sector

1.3 OBJECTIVES OF THE POLICY

The principal objective of the policy is to provide guidelines, governing processes and procedures of the supply chain management process of the municipality to regulate:-

1) Procurement of goods and services
2) Disposing of goods, assets and immovable property no longer needed
3) Selection of service providers to render services in the provision of municipal services other than that where Chapter 8 of the Municipal Systems Act applies.

1.4 APPLICABILITY OF THIS POLICY

1) This Policy applies when the IHLM:
    a. Procures goods or services;
    b. Disposes goods no longer needed;

2) 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) The Council and Management, individually and collectively, is committed to:
    a. The implementation and full compliance of the Supply Chain Management policies and practices as envisaged by the Act and its Regulations.

b. Economic development of local communities, Small Medium and Micro Enterprises, women-owned enterprises, youth-owned and disabled-owned enterprises within the jurisdiction of the Council.

1.5 AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

The accounting officer must:

a. At least annually review the implementation of this Policy;
b. When the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the IHLM

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
b. Report any deviation from the model policy to the National Treasury and the relevant Provincial Treasury.

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.

1.6 DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

The Council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer to:

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

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)

The Accounting Officer may not sub delegate any Supply Chain Management Powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.

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.

1.7 SUB DELEGATIONS

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 1.6 and paragraph 1.7 of this Policy.

1.8 THE POWER TO MAKE A FINAL AWARD

- above R300 000 (VAT included) may not be sub delegated by the accounting officer;
- above R 30 000 (VAT included), but not exceeding R 300 000 (VAT included), may be sub delegated but only to;
    - The Chief Financial Officer;

- Senior Manager; or
- A quotation bid adjudication committee of which the Chief Financial Officer or a manager directly accountable to CFO, is a member; or

- not exceeding R 300 000 (VAT included) may be sub delegated but only to:
  - Chief Financial Officer;
  - Senior Manager;
  - Manager directly accountable to the Chief Financial Officer or Senior Manager; or
  - A quotation adjudication committee.

The quotation adjudication Committee, which is solely composed of employees, shall make decisions in accordance with their Terms of Reference. No advisor or consultant will have decision making powers to make final awards on behalf of the council.

An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five (5) 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:

- the amount of the award
- the name of the person to whom the award was made
- the reason why the award was made to that person
- the reason for deviations in the implementation of this policy

A written report referred to in subparagraph (3) must be submitted to the accounting officer, in the case of an award by

- the Chief Financial Officer
- a Senior Manager or
- a bid adjudication committee of which the Chief Financial Officer or a Senior Manager is a member or
- to the Chief Financial Officer or the Senior Manager responsible for the relevant bid, in the case of an award by
  - a Manager referred to in subparagraph (2)(c)(iii); or
  - Bid adjudication committee of which the Chief Financial Officer or a Senior Manager is not a member.

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

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.

No Supply Chain Management decision-making powers may be delegated to an advisor or consultant.

1.9 OVERSIGHT ROLE OF THE COUNCIL

a) The Council reserves its right to maintain oversight over the implementation of this Policy.
b) For the purposes of such oversight the Accounting Officer must:
   a. Within 30 days of the end of each financial year, submit a report on the implementation of this Policy to the council of the municipality and
   b. Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council,
c) 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 Executive Mayor.
d) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

1.10 SUPPLY CHAIN MANAGEMENT UNIT

A Supply Chain Management Unit is hereby established to implement this Policy.

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.

1.11 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, South African Qualification Act, Skills Development Act and best practices.

2. CHAPTER 2 SUPPLY CHAIN MANAGEMENT SYSTEM

2.1 FORMAT OF SUPPLY CHAIN MANAGEMENT SYSTEM

This Policy provides systems for

a) Demand Management;
b) Acquisition Management;
c) Logistics Management;
d) Disposal Management;
e) Risk Management; and
f) Performance Management.

2.2 DEMAND MANAGEMENT

System of Demand Management

a) The Accounting Officer must establish and implement an appropriate Demand management System in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
b) The demand management system must
    i) Include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for 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;
    ii) Take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
    iii) Provide for the compilation of the required specifications to ensure that its needs are met.
    iv) Undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

Strategy for achieving the Preferential Procurement Policy Framework Act objectives and linking the system to Specific Goals:-

a) The municipality will use the public sector SCM system as a tool to achieve the Specific objectives/goals. This will be achieved within the prescribed framework of the PPPFA and its Regulations 2022.
b) In order to achieve the Specific objectives and goals the specifications and terms of reference for each project will be draft prior to publication. The specifications will be drafted in a manner that will assist in achieving the Specific goals targets set by the municipality. The Chief Financial Officer will approve all specifications drafted by the Bid Specification Committee prior to publication.

2.3 ACQUISITION MANAGEMENT

2.3.1 System of Acquisition Management

a) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure that:
    i) Goods and services are procured by the municipality in accordance with authorised processes only
    ii) Expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act
    iii) The threshold values for the different procurement processes are complied with.
    iv) Bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation and
    v) Any Treasury guidelines on acquisition management are properly taken into account.
b) 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 the municipality's Supply Chain Management System, including: -
    i) the kind of goods or services; and
    ii) the name of the supplier.

2.3.2 Range of procurement processes

Goods and services may only be procured by way of:

a) Petty cash purchases, up to a transaction value of R500 (VAT included)
b) One written quotation for procurement from R1 to R2000
c) Three formal written price quotations for procurement of goods and services from a transaction value of R2000 up to R30 000 (VAT included)

Public notices from R30 000 to R300 000

a) A competitive bidding process for:
    i) Procurements of goods and services above a transaction value of R30 000 (VAT included) and
    ii) Procurement of long-term contracts.

The Accounting Officer may in writing:

a) Lower, but not increase, the different threshold values. At least three formal written price quotations be obtained for any specific procurement of goods and services for a transaction value lower than R30 000. Exemption will be provided for in the following services:
    i) Conference facilities,
    ii) Car hire.
    iii) Accommodations and
    iv) Trainings.
    v) Competitive bidding process be followed for any specific procurement of a transaction value above R300 000.

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.

2.3.3 General preconditions for consideration of written quotations or bids

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

or bid has:

a) furnished that provider's:
    i) Full name
    ii) Identification number or company registration Certificate and ensure that
    iii) The company tax matters are in order or

iv) Has authorised the municipality to obtain a tax clearance from the South African Revenue Services
v) Has indicated 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
vi) 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
vii) Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph
viii) Is in the service of the state, or has been in the service of the state in the previous twelve months.

2.3.4 Lists of accredited prospective service providers

a) The municipality has and maintains a list of accredited prospective providers for procurement of all municipal goods and services. The list of prospective suppliers is updated every week as it syncs (Munsoft and SCD). All prospective providers are requested to submit a copy of CSD should a supplier has interest in being listed in the municipal database.
b) The municipality will only consider the service providers that are listed in the Central Supplier Database System (CSD) for the provision of services.
c) Disallow the listing of any service provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector

2.3.5 Petty cash purchases

The conditions for the procurement of goods by means of petty cash purchases referred to in the paragraph above are as follows:

a) A manager may delegate responsibility for petty cash requests to an official reporting to the manager in terms of the official delegation authority
b) The maximum amounts per transaction shall be R500
c) Purchases from petty cash are to be restricted to small items of stationary, refreshments or small items required in an emergency that do not exceed a transaction value of R500
d) Petty cash shall be managed and issued by the Expenditure section as and when required by departments in terms of a procedure manual (petty cash policy). Monthly petty cash reconciliations will be compiled by Expenditure section
e) Petty cash requests must be properly authorized and have the correct line item description. All requests to be accompanied by relevant/appropriate supporting documents e.g. cash sale slips, receipts.

2.3.6 Written Quotations

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

a) Quotations must be obtained in accordance with this policy from different service providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria of having the Company registration certificate, Tax clearance certificate, and other relevant certificates depending on the nature of the service.
b) The providers must be requested to submit such quotations in writing
c) If it is not possible to obtain three quotations as prescribed, reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer
d) The Accounting Officer must record the names of the potential providers requested to provide such quotations with their quoted prices.

2.3.7 Formal written price quotations

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 service providers who are not listed, provided that such service providers meet the listing criteria set out in 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,
d) The Accounting Officer must record the names of the potential providers and their written quotations.

A designated official referred to in sub-paragraph 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.

2.3.8 Procedures for procuring goods or services through written quotations and formal written price quotations

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

a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis
b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, be advertised for at least seven days on the website and an official notice board of the municipality
c) offers received must be evaluated on a comparative basis taking into account unconditional discounts
d) the Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all written and formal written price quotations accepted by an official acting in terms of a sub-delegation
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 specific goal points system (PPR 2022 and associated regulations), must be awarded to the bidder who scored the highest points;

2.3.9 Special considerations for procurement of certain goods and/or services

a) **Public Transportation (Taxi Association):**

The municipality is situated in a rural area and there are two taxi associations in both IHLM towns and two bus association operating in the area. The municipality runs programs and events often that require the use of external transport services due to unavailability of the municipality's vehicles. As a result, the municipality will recognize the services of the Taxi Associations of both towns Flagstaff and Lusikisiki which are (Boarder Taxi Association and Ncedo Taxi Association) for taxis and Ingquza Hill Bus association based in both towns for bus services, therefore quotations will be sourced from registered associations.

b) **Servicing and repairing of municipal machinery, equipment and vehicles:**

i) Machinery and equipment of a specialized nature will be serviced and repaired by the manufacturer, or an agent appointed by the manufacturer. Therefore, one quotation will be obtained in this regard.
ii) Vehicles will be serviced by the manufacturer as this might affect the validity of the warranty and might compromise useful life of the vehicle. Therefore, one quotation will be obtained in this regard.

iii) For all out of warranty or service plan municipal fleet (yellow and white), the municipality will source from the manufacturer or any approved dealership.

iv) Parts and other consumables relating to vehicles, machinery and equipment of specialized nature will be sourced from the manufacturer or an agent appointed by the manufacturer. Therefore, one quotation will be obtained in this regard.

v) In the event where a municipal vehicle, machinery and/or equipment needs to be repaired as a result of an accident or a similar event, the appointed municipal insurance company will appoint an approved panel beater to which the insurance excess will be paid directly to the panel beater by the municipality, therefore one quotation will be sourced in this regard.

2.3.10 Competitive bids

a) 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 Policy.
b) 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.

2.3.11 Process for competitive bidding

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

a) Compilation of bidding documentation as detailed in this Policy
b) Public invitation of bids as detailed
c) Site meetings or briefing sessions as detailed
d) Handling of bids submitted in response to public invitation as detailed
e) Evaluation of bids as detailed in this Policy
f) Award of contracts as detailed in this Policy
g) Administration of contracts
    a. After approval of a bid, the Accounting Officer and the bidder must enter into a written agreement.
h) Proper record keeping
    a. Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

2.3.12 Bid documentation for competitive bids

a) The criteria to which bid documentation for a competitive bidding process must comply, must take into account:
    a. the general conditions of contract and any special conditions of contract, if specified
    b. Treasury guidelines on bid documentation
    c. the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
b) Include the preference specific goal 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:
    a. if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements

b. for the past three years
c. since their establishment if established during the past three years
d. 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
e. 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
f. 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

e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or, when unsuccessful, in a South African court of law
f) SCM documents will be kept in accordance with record management policy of the Municipality.

2.3.13 Public invitation for competitive bids

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
b) the information contained in a public advertisement, must include
    a. 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 this policy
    b. a statement that bids may only be submitted on the bid documentation provided by the municipality
    c. date, time and venue of any proposed site meetings or briefing sessions
c) 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.
d) Bids submitted must be sealed
e) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

2.3.14 Procedure for handling, opening, and recording of bids

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

a) Bids must be opened only in public
b) Bids must be opened at the same time and as soon as possible after the period for the submission of bids has expired and
c) Bids received after the closing time should not be considered and returned unopened immediately
d) 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
e) 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
f) The Accounting Officer must:
    a. record in a register all bids received in time
    b. make the register available for public inspection

c. publish the entries in the register and the bid results on the website (Publish on its website, the reference number of the bid, the description of the goods, services including construction works and consultant services, names of all bidders, the BBBEE status level of contribution of all bidders, where applicable, total price of the bids, by all bidders that submitted bids in relation to that particular advertisement. The municipality will publish the aforementioned information within ten (10) working days after a final award has been made and it must remain on the website of the municipality for at least thirty (30) days.

2.3.15 Negotiations with preferred bidders

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
c) Does not lead to a higher price than the bid as submitted.
d) if negotiations fail to result in acceptable contract terms:
   The Accounting Officer, or the person authorised in terms of the clause may terminate the negotiations and invite the next ranked bidder(s) for negotiations. The original preferred bidder(s) should be informed of the reasons for termination of the negotiations. Once negotiations have been terminated, they may not be re-opened. If negotiations eventually fail with the tenderer scoring the third highest points, the tender must be recommended for re-advertisement.

Minutes of such negotiations must be kept for record purposes.

2.3.16 Two-stage bidding process

1) A two-stage bidding process is allowed for:
   a) large complex projects
   b) projects where it may be undesirable to prepare complete detailed technical specifications
   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.

2.3.17 Committee system for competitive bids (Non infrastructural projects)

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
c) A bid adjudication committee
d) A quotation adjudication committee

2.3.18 QUORUM

a) The majority of the Bid Committee's composition (physically present) as designated shall constitute a quorum for the transaction of business.
b) The decision of at least a majority of those present at a meeting at which there is quorum shall be valid and binding as an act of the committees.
c) The Accounting Officer appoints the members of each committee, taking into account section 117 of the Act; and
d) 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.
e) The committee system must be consistent with :

a. This Policy
b. Any other applicable legislation.

f) The Accounting Officer may apply the committee system to formal written price quotations.

2.3.19 Bid specification committees

a) A bid specification committee must compile the specifications for each procurement of goods and services by the municipality
b) Specifications must:
    i. be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services
    ii. 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
    iii. where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design
    iv. may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.
    v. may not make reference to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”
    vi. must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2022
    vii. must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of this Policy.
c) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
d) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
e) The composition of the bid specification committee may change to accommodate different scenarios.
f) A member or the Chairperson of the bid specification committee shall present reports to the bid evaluation committee.

2.3.20 Bid Evaluation Committees

a) A bid evaluation committee must
    a. Evaluate bids in accordance with:
        i. the specifications for a specific procurement
        ii. the specific goals points system set out in terms of the policy.
        iii. allocation of specific goal points
    b. Ensure that an appropriate assessment of eligible bidder’s ability to execute the contract has been undertaken by the department presenting the item.
b) in an 80/20 point system for the acquisition of goods, works and service up to a rand value of R50million.
    a. Evaluate each bidder’s ability to execute the contract
    b. Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears
    c. Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter

d. A member or the chairperson of the bid evaluation committee shall present reports to the bid adjudication committee only as advisors.

2.3.20.1 Application of preference points for the acquisition of good and services

The 80/20 preference point system is applicable to price quotations and tenders with a Rand value below or equal to R50 million (all applicable taxes included).

80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million, 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

$$P_S = 80\left(1 - \frac{P_t - P_{min}}{P_{min}}\right)$$

Where.

P_s = Points scored for price of tender under consideration

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender.

A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender. For IHLM points for specific goals will be linked with integrated development programme objectives.

Specific goals	
Women owned companies	
Youth owned companies 0-35 years	
People living with disability	
Race (Black)	

The specification committee in consultation with director of the department will select applicable specific goals guided by procurement plan and integrated development plan of the municipality. At a particular point in time the specification committee must select not less than 3 specific goals indicated above and of the selected specific goals none will have more than 50% of the total maximum points as per sec above. The allocation of preferential points to achieve specific goals will be different per project so as to enhance empowerment of different communities according to their needs.

The following will be required as to correspond with sec above:-

- Woman ownership (CSD and a certified copy of the ID Document (s) of woma (e)n
- Youth owned companies 0-35 years CSD and a certified copy of the ID Document (s) of youth.
- Disability (CSD and Certified declaration from your medical doctor certifying the degree of disability)
- Full Valid Central Supplier Database registration (Full updated Report)

The 90/10 preference point system is applicable to bids with **a Rand value above R50 million (all applicable taxes included)**. 90/10 preference point system for acquisition of goods or services with Rand value a Rand value above R50 million (all applicable taxes included), 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

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

Where:-

P_s = Points scored for price of tender under consideration

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender.

A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender. For IHLM points for specific goals will be linked with integrated development programme objectives.

Specific goals	
Women owned companies	
Youth owned companies 0-35 Years	
People living with disabilities	
Race (Black)	

The specific goals will be calculated as per section above will apply for selection of specific goals

The points scored for the specific goal must be added to the points scored or 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 point

A bid evaluation committee must as far as possible be composed of:

a. Officials from departments requiring the goods or services
b. At least one supply chain management practitioner of the municipality
c. The composition of the bid evaluation committee may change to accommodate different scenarios.

2.3.21 Bid adjudication committees

2.3.21.1 A bid adjudication committee must :

a) consider the report and recommendations of the bid evaluation committee
b) either
   i. depending on its delegations, make a final award or a recommendation to the Accounting Officer to make its delegations
   ii. make a final award or a recommendation to the Accounting Officer to make the final award or
   iii. Make another recommendation to the Accounting Officer how to proceed with the relevant procurement.
   iv. A member or chairperson of the bid evaluation committee shall be invited to present the report to the bid adjudication committee only as an advisor.
c) A bid adjudication committee must consist of at least four Senior Managers of the municipality which must include: -
   i. the Chief Financial Officer or, if the Chief Financial Officer is not available, another Manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer
   ii. at least one Senior Supply Chain management practitioner who is an official of the municipality
   iii. a technical expert in the relevant field who is an official, if such an expert exists.
d) 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.
e) 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.
f) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid
   i. check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears

ii. notify the Accounting Officer

g) The Accounting Officer may:
   i. after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in the above paragraph
   ii. if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

h) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

i) The Accounting Officer must comply with section 114 of the Act within 10 working days

2.3.21.2 Award of contract to bid not scoring the highest number of points

a) Despite the above subsections a contract may, on reasonable and justifiable grounds, be awarded to a bid that did not score the highest number of points.

2.3.21.3 Validity Period of tenders

The bids submitted to the municipality shall remain valid for a period of 90 days from the date of tender closing. This must be stipulated in all bidding documents issued by the municipality.

2.3.21.4 Extension of Validity

If the tender evaluation and decision-making process takes longer than the initial 90 days, the validity period can be extended, but only with the consent of all participating bidders. The consent must be solicited before the expiry of the validity period.

2.3.21.5 Cancellation and re-invitation of bids

a) The Municipality may, prior to the award of a bid, cancel a bid if:
   i. Due to changed circumstances, there is no longer need for the goods or services bided for; or
   ii. Funds are no longer available to cover the total envisaged expenditure; or
   iii. No acceptable bids are received.
   iv. If there was a deviation or an error in the procurement process.
   v. The evaluation criteria (90/10) or (80/20) was estimated wrongly
   vi. In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed the estimated Rand Value of R1000 000,the bid invitation must be cancelled
   vii. In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to ,or below R1000 000, the bid must be cancelled

2.3.21.6 General Conditions

a) The Municipality may, before a bid is adjudicated or at any time, require arbiter to substantiate claims it has made with regard to preference.
b) Points scored, must be rounded off to the nearest 2 decimals
c) In the event that two or more bids have scored equal total points, the successful bid must be the one scoring the highest number of preference points for specific goals. Should two or more bids be equal in all respects, the award shall be decided by the drawing of lots..

2.3.21.7 Specific goals

a) The bid conditions may stipulate those specific goals, as contemplated in terms of the Preferential Procurement Policy Framework Act, 2022, be attained.

b) The stipulation contemplated in section (1) must include the method to be used to calculate the points scored for achieving specific goals.
c) Over and above the awarding of specific goals points, the following activities may be regarded as a contribution towards achieving the goals contemplated in terms of the Preferential Procurement Policy Framework Act, 2022;
   i) The promotion of South African owned enterprises;
   ii) The promotion of local SMME's
   iii) The creation of new jobs or the intensification of labour absorption;
   iv) The promotion of enterprises located in the Eastern Cape Province for work to be done or services to be rendered in the aforesaid Province
   v) The promotion of enterprises located within the jurisdiction of the IHLM for work to be done or services to be rendered within aforesaid jurisdiction
   vi) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area
   vii) The promotion of enterprises located in rural areas;

2.3.21.8 Black Economic empowerment and other socio economic objectives

The IHLM must award points for preference objectives in accordance with the PPPPFA and its PPR 2022, which also incorporate the 80/20 and 90/10 scoring models.

2.3.22 Procurement of banking services

a) A contract for banking services:
   i. must be procured through competitive bids
   ii. must be consistent with section 7 or 85 of the Act; and
   iii. may not be for a period of more than five years at a time.
   iv. the process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
   v. 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 1.2.9
   vi. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

2.3.23 Procurement of IT related goods or services

a) 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.
b) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
c) The Accounting Officer must notify SITA together with a motivation of the IT needs if:
   i. the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
   ii. the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
   iii. 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.

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

a) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –
   i. the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
   ii. there is no reason to believe that such contract was not validly procured
   iii. there are demonstrable discounts or benefits to do so; and
   iv. that other organ of state and the provider have consented to such procurement in writing.
b) Subparagraphs (i) and (iv) do not apply if –
   i. municipal entity procures goods or services through a contract secured by its parent municipality; or
   ii. a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

2.3.25 Procurement of goods necessitating special safety arrangements

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

2.3.26 Proudly SA Campaign

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.

2.3.27 Appointment of consultants

a) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
b) Consultancy services must be procured through competitive bids if
   i) the value of the contract exceeds R200 000 (VAT included);
   ii) the duration period of the contract exceeds one year.
c) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:
   i) all consultancy services provided to an organ of state in the last five years; and
   ii) any similar consultancy services provided to an organ of state in the last five years.
d) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

2.3.28 Deviation from, and ratification of minor breaches of, procurement processes

a) The Accounting Officer may:
   i) 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 –
      a. in an urgent or emergency case
      b. if such goods or services are produced or available from a single provider only

c. for the acquisition of special works of art or historical objects where specifications are difficult to compile
d. acquisition of animals for zoos and/or nature and game reserves
e. in any other exceptional case where it is impractical or impossible to follow the official procurement processes
f. imminent risks that can be considered by the Accounting Officer may include the following but not limited to:
    i. Disaster or imminent disaster
    ii. Human injury or death
    iii. Human suffering or deprivation of Human rights
    iv. Serious damage to property or financial loss
    v. Serious environmental damage or degradation
    vi. Interruption of essential services
    vii. Cancellation of essential municipal services
    viii. Loss of funding or revenue

ii) 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.

b) The Accounting Officer must record the reasons for any deviations in terms of subparagraphs (i)(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.

c) Subparagraph (b) does not apply to the procurement of goods and services contemplated in paragraph 2.3.29 of this policy.

2.3.29 Unsolicited bid

a) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

b) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if:
    i) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept
    ii) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
    iii) the person who made the bid is the sole provider of the product or service; and
    iv) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.

c) 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:
    i) reasons as to why the bid should not be open to other competitors
    ii) an explanation of the potential benefits if the unsolicited bid were accepted; and
    iii) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

d) The Accounting Officer must submit all written comments received pursuant to subparagraph (c), including any responses from the unsolicited bidder to the National Treasury and the relevant Provincial Treasury for comment.

e) The adjudication committee must consider the unsolicited bid and may award the bid or make recommendation to the accounting officer, depending on its delegations.

f) A meeting of the adjudication committee to consider an unsolicited bid must be open to The public.

g) When considering the matter, the adjudication committee must take into account:
    i) any comments submitted by the public; and
    ii) any written comments and recommendations of the National Treasury or the relevant Provincial Treasury.

h) 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.
i) 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.

2.3.30 Participation in National Treasury's Transversal Contracts

The IHLM will participate in the National Treasury's Transversal Contracts following the guides by National Treasury to participate in the transversal contracts. This includes applications to be made by the municipality to participate in specific transversal contracts applicable to the requirements of the municipality at the time.

2.3.31 Penalties, Insurance and guarantees

a) Suitable insurance arrangement, liquidated, damages or penalty clauses, retentions and various forms of guarantees should be made to protect the interest of IHLM.
b) The levels of risks management arrangement should be commensurate with the degree of contractual risk to which the IHLM is exposed.
c) Through the IHLM would like to promote local and small business, all contracts considered as being of high risk due to the nature and scope of work should be subject to appropriate risk management.
d) The Accounting Officer has the right to impose a penalty equivalent to the offence where poor or unsatisfactory service is rendered.

The Municipality must adhere to the following general principles with regard to performance guarantees:

a) The performance guarantees must be commensurate with the degree of contractual risk to which the municipality will be exposed
b) In the case of large and complex contracts, performance guarantees must be requested in order to discourage the submission of irresponsible bids
c) The risk of failure must be distributed between the contracting parties and should be managed so that the municipality's costs resulting from any such failure are recoverable.

2.3.32 Management of expansion or variation of orders against the original contract

In exceptional cases, an Accounting Officer of a municipality may deem it necessary to expand or vary orders against the original contracts. Contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.

2.3.33 Cessions

Application of cession is limited only to those cession agreements in favour of registered Financial Service Provider ((FSP). Therefore, cession shall be applicable as following:-

a) Cession must only be applicable to the transfer of right to payment for services rendered by a service provider to an FSP or State Institution;
b) The written request for cession by the service provider not a third party; and
c) The written request by the service provider must be accompanied by a cession agreement
d) The conclusion of a cession agreement shall be approved at the discretion of the Accounting Officer.

2.3.34 Surety

a) Sureties must be obtained in case of poor financial rating in respect of construction projects, classified as follows:

AMOUNT	PERCENTAGE
R300 000	5.5%
R300 001 – 1 000 000	7.5%
R1 000 001 – 3 000 000	10%
R5 000 001 – and above	12.5%

b) The service provider must seek assistance from the open market in order to meet the surety requirements.

2.3.35 Retention

a) A percentage of the costs in respect of construction contracts must be set aside as retention funds.
b) No more than 10% of the value of the construction contract must be set aside for purposes of subsection (a)
c) With regard to the release of retention funds:
   i) 50% of the retention funds shall be released upon practical completion for contracts of not more than R1 000 000 with the remaining 50% released three months after the project has been completed. For contracts with a rand value exceeding R1000 000 but not exceeding R10 000 000, 50% of the retention shall be released upon practical completion with the remainder released six months thereafter.
   ii) For projects with a rand value exceeding R10 000 000, 50% of the retention shall be released upon practical completion with the remainder released twelve months thereafter.
   iii) The retention amount withheld by the municipality and not claimed within three years after practical completion certificate has been issued will be forfeited and written back by the municipality as income. Interest earned on retention funds retained is for the municipality's benefit.

2.3.36 Management of Expansion or Variation of orders against the original contract

In exceptional cases an Accounting Officer of a Municipality or Municipal entity may deem it necessary to expand or vary orders against the original contract. The expansion or variation of orders against the original contract may be expanded or varied by not more than 20% for construction related goods, services and / or infrastructure projects and 15% for all other goods and / or services of the original value of the contract. Anything beyond the abovementioned thresholds must be reported to Council.

2.3.37 Procurement through turnkey project approach

a) The municipality may opt to implement contracts for large complex projects or works of a special nature, when it may be undesirable or impractical to prepare complete detailed technical specifications in advance through a turnkey project approach.
b) A turnkey project approach is when a Consultant and Contractor are appointed simultaneously, and the Consultant carries the project risk to ensure that the designs and contract work are done and the project is handed over to the municipality after project is commissioned. This is referred to as a design and build contract.
c) A two-stage bidding procedure may be used, under which first unpriced technical proposals based on a conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments. The technical and commercial clarifications may include a prequalification that bidders must provide proof of their ability to execute the project. In such a case it may be prescribed that only those bidders who prequalified, will be issued with the amended detailed bid documents, and offered the opportunity to submit final technical proposals and price bids, as the second stage.

d) All the parties to be engaged during the project implementation including consultants, experts and contractors and the role of each contracting party should be documented to ensure that the first evaluation stage comprises of confirming technical ability for all contracting parties.
e) In the case of turnkey contracts, the bidder should be required to quote the price of the total project cost, including all costs for supply of equipment, marine and local transportation and insurance, installation, and commissioning, as well as associated works and all other services included in the scope of contract such as design, maintenance, operation, etc. Unless otherwise specified in the bidding documents, the turnkey price should include all duties, taxes, and other levies.

2.3.38 Combating of abuse of Supply Chain Management System

a) The Accounting Officer must:
   i) take all reasonable steps to prevent abuse of the supply chain management system
   ii) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified
      a. take appropriate steps against such official or other role player; or
      b. report any alleged criminal conduct to the South African Police Service;
   iii) 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;
   iv) reject any bid from a bidder:
      a. 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;
      b. 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;
   v) 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;
   vi) cancel a contract awarded to a person if:
      a. the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
      b. 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
   vii) reject the bid of any bidder if that bidder or any of its directors:
      a. has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
      b. been convicted for fraud or corruption during the past five years;
      c. has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
      d. has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
b) 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.

2.3.39 Declaration

For purpose of establishing control measures to eliminate fraud and corruption:

a) A declaration schedule will form an integral part of all the Municipality's bid documents
b) Bidders must be required to complete the schedule as a prerequisite to submission of any bid
c) Lack of declarations or incomplete declarations can act as a disqualification

End user departments should develop service level agreements with the appointed service provider. The agreement should include management of performance of service providers and penalties in case of default.

2.3.40 Declaration of interest by officials, suppliers, service providers and consultants

a) In order to obtain the disclosure of any interests that an official, supplier, service provider or consultant may have with regard to a bid, the declaration of interest schedule must be completed prior to the award of a bid.
b) The declaration of interest must be completed by the following persons:
    a. all officials in the evaluation or approval of a bid;
    b. all suppliers, service providers or consultants who are involved in the preparation of bid documentation and a bid reporting; and
    c. any other person who played a role in the preparation, specification, evaluation and approval of a bid and who has an interest in the award thereof.
    d. the municipality reserves the right to vet any official, councillor or supplier who they deem necessary or believe that incorrect information is being supplied.

2.4 LOGISTICS, DISPOSAL, RISK AND PERFOMANCE MANAGEMENT

2.4.1 Logistics management

a) The Accounting Officer must establish and implement an effective system of logistics management, which must include:
    i. the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number
    ii. the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock
    iii. the placing of manual or electronic orders for all acquisitions other than those from petty cash
    iv. 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
    v. 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
    vi. regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes
    vii. monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

2.5 DISPOSAL MANAGEMENT

a) 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 stipulated in council's policy on fixed asset management and accounting policy.

b) Assets may be disposed of by:
    i. transferring the asset to another organ of state and or Non-Profit Organisation 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
    iv. destroying the asset.

c) The Accounting Officer must ensure that:
   i. immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise
   ii. 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
   iii. 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
   iv. immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise
   v. all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed
   vi. where assets are traded in for other assets, the highest possible trade-in price is negotiated
   vii. the municipality also reserves the right to identify assets that can disposed free or donated. The free disposals is limited only to Department of education and Health or any other government department.
   viii. 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.

2.6 RISK MANAGEMENT

a) Risk management must include:-
   i. the identification of risks on a case-by-case basis
   ii. the allocation of risks to the party best suited to manage such risks
   iii. acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it
   iv. the management of risks in a pro-active manner and the provision of adequate cover for residual risks
   v. the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

2.7 PERFORMANCE MANAGEMENT

a) 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.
b) Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:
   i. value for money has been attained.
   ii. proper processes have been followed.
   iii. desired objectives have been achieved.
   iv. there is an opportunity to improve the process.
   v. suppliers have been assessed and what that assessment is; and
   vi. if there has been deviation from procedures and, if so, what the reasons for that deviation are.
c) The performance management system shall accordingly focus on, amongst others:
   i. achievement of goals.
   ii. compliance to norms and standards.
   iii. savings generated.
   iv. cost variances per item.
   v. non-compliance with contractual conditions and requirements; and
   vi. the cost efficiency of the procurement process itself.

d) For all contracts, a close-out report is required on completion of the contract, which includes the points raised in subparagraphs (b) and (c) above.
e) For all annual supply, period, or term contracts, the report to the Bid Specification Committee for the new or replacement contract, must include the points raised in subparagraphs (b) and (c) above as at a particular point in the contract it replaces.
f) For monitoring performance on individual contracts see also the service provider performance management section of this policy.

2.8 PERFORMANCE MONITORING OF SERVICE PROVIDERS

The performance of service providers that have been selected to provide assistance in the provision of a municipal service, otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies, is required, by Section 116 of the Municipal Finance Management Act, to be monitored and reported on.

Section 2,8 of this policy apply to contracts that have been awarded or reviewed, before or after the adoption of this policy. Furthermore, this policy applies to all tenders with a contract value greater than R300 000 VAT included.

The objectives of the Performance Monitoring of Service Providers is to: -

a) Ensure a high quality of service is maintained.
b) Detect underperformance early, thereby reducing the risks to projects.
c) Create mechanisms to improve performance where targets are not being achieved.
d) Provide data to municipal officials so that informed decisions can be made.
e) Assist in government's developmental objectives in the form of structuring appropriate business.
f) Support strategies/interventions to targeted enterprises.

While departments have mechanisms in place to monitor the work done by service providers, the following is the minimum standard set.

1. All service providers or prospective service providers must be made aware of:
    a. the requirement for the assessment and reporting of a service provider's performance.
    b. the exchange of information on service provider performance reports between government units and/or departments.
    c. Monitoring of performance against contract must also include skills transfer to municipality in line with the roles and responsibilities where applicable.
2. The appointed service provider must be given the opportunity to discuss the performance criteria with the Implementing Department before commencement of the contract.
3. Any changes to the performance criteria must be agreed to by the Municipality and the service provider.
4. The decision to change a performance criterion after commencement of a contract is the responsibility of the Reporting Officer.
5. A service provider's performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Municipality and service provider under the contract must be taken into account.
6. The delegated official preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:
    a. Outside the service provider's control, or
    b. the result of some action by the Municipality; and
    c. measure the service provider's performance after taking into account subparagraphs (a) and (b).
7. If there is evidence that the underperformance or non-performance of the service provider is due to factors caused by the Municipality then:
    a. There will be no penalization of the service provider.
    b. The Accounting Officer, or delegated official, must take corrective action where necessary.

8. The performance assessment reports will be made available to inter-departmental, inter-governmental departments and the CIDB (where applicable) only:
    a. on completion of a contract; and
    b. if there are no pending disputes.
9. The Service Provider must be notified of the assessment.
10. The Service Provider may respond on the assessment, in writing, and this must be filed with the assessment.
11. The conditions of appointment set in the contract will determine what action will be taken against the service provider if underperformance or non-performance is detected.
12. Appropriate key performance indicators for the contract must be set by the Municipality as a yardstick for measuring performance.
13. Measurable targets must be set for each key performance indicator.
14. The SMART principle as laid out in the Municipality's Organisational Performance Framework must be followed in developing key performance indicators. (Specific, Measurable, Achievable, Realistic, Timeframed)
15. The management of the contract and the performance of the service provider must be reported quarterly to the Council of the Municipality in the format set by the SCM Unit.
16. The performance information will be audited:
    a. As part of the Municipality's internal auditing process; and/or
    b. Annually by the Auditor-General.
17. The Municipality will endeavour to facilitate support interventions to service providers in the identified areas of underperformance.
18. Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
19. The support interventions may be:
    a. sponsored by the Municipality,
    b. subsidised by the Municipality; or
    c. paid for by the attending service provider.
20. Records of support interventions and attendance registers must be signed by all parties and filed.
21. The impact of the support interventions provided by the Municipality to the service provider must be monitored.
22. The requirements of this policy must be included in the contract of the service provider.
23. The performance of the contractor under the contract must be assessed monthly by the Reporting Officer.
24. The Reporting Officer must complete the Service Provider Assessment Form on the database at the end of each quarter and on completion or termination of the contract in the prescribed format.
25. The quarterly assessment must be completed within 15 working days after the end of each quarter.
26. The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period.
27. Supply Chain Management Unit will review the quarterly Service Provider Assessments within 20 days after the end of each quarter. This process will include verification and may require a site visit.

2.9 OTHER MATTERS

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

i. 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
ii. before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order
iii. if a municipality / municipal entity is in possession of a supplier s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the municipality's/ municipal entity s possession. Whenever this ruling is

applied, cross- reference must be made to the original tax clearance certificate for audit purposes.

ii) Prohibition on awards to persons in the service of the state

i. 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.

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

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:

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.

iv) Ethical Standards

A code of ethical standards as set out in the Code of Conduct for Supply Chain Management Practitioners and other role players adopted by Council is hereby established for officials and other role players in the Supply Chain Management System of the municipality in order to promote:

i. mutual trust and respect; and
ii. an environment where business can be conducted with integrity and in a fair and reasonable manner.

A breach of the code of ethics must be dealt with as follows:

i. in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
ii. in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
iii. in all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

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

i. 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.
   b) any reward, gift, favour, or hospitality to
      a. any official; or
      b. other role player involved in the implementation of this Policy.

ii. 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.

iii. No official or other role player involved in SCM may accept any gift, reward, favour, hospitality or other benefit promised directly or indirectly, including to any close family member, partner or associate. Furthermore any official or other role player must declare any gift, reward, favour, hospitality or other benefit promised, offered or granted to that member or to a close family member, partner or associate of that member from suppliers or potential suppliers, irrespective of the value of such a gift.

vi) Sponsorships

i. 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.

vii) Operationalization of SCM Policy

i. To operationalize the procurement process, the Municipal Manager shall pursue the development and approval of a standard operating procedure incorporating a generic SCM manual, standard bidding documents, forms and standard evaluation documents.
    a. The SCM policy will be into operation through:
        i. Procurement Directives which shall be issued by the SCM Unit from time to time,
        ii. Procurement delegations issued in terms of section 82 of MFMA; and
        iii. SCM Procedures
        iv. Financial delegations

viii) Expanded Public Works Programme

The Expanded Public Works Programme (EPWP) is founded on the principle that the Implementing Agent (National or Provincial Departments, State Owned Enterprise, Municipality or Municipality Entity) is responsible for identifying and implementing suitable projects in accordance with the published EPWP Guidelines.

Labour-intensive infrastructure projects under the EPWP include:

i. Using labour-intensive construction methods to provide employment opportunities to local unemployed people;
ii. Providing training or skills development to those locally employed workers;
iii. Building cost-effective and quality assets.
iv. The employment to locally employed temporary workers on all EPWP labour-intensive infrastructure projects must be in accordance with the Code of Good Practice for Employment and Conditions of Work for Special Public Works Programmes issued in terms of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) and promulgated in Government Gazettee Notice No. P64 OF 25 January 2002.

2.10 GENERAL PRE-REQUISITES

2.9.1 Introduction

This section covers a general set of prerequisites that have identified for supply chain management by the IHLM. All bidders must submit the information requested below. Bid documents and registration forms can be obtained in the SCM Unit. Bids will not be considered should the prerequisites not be met.

a) Criteria

i. Proof of company registration and/or any other form of legal standing must be submitted by all bidders and the company composition form must be completed.

ii. The Declaration of Interest form must be completed.
iii. The bid document must be completed in all respects in black ink.
iv. Bids must be submitted on original bid documents
v. Bid documents must remain intact and no portion may be detached.
vi. A joint venture agreement must be formalized prior to submitting a bid.
vii. The tax clearance certificate requirements should be applicable to all transactions exceeding a value of R30 000(Thirty thousand rand, including vat)
viii. And any other requirement/prerequisite that might be stated in the tender document

2.9.2 Additional prerequisites for professionals

This section covers additional Prerequisites for Professionals that have been identified for Supply Chain Management by the IHLM. All Professionals must submit the information requested below. Bids will not be considered should the prerequisites not be met.

a) Criteria

i. Submit proof of Professional Registration with the relevant Professional Body, e.g The Engineering Council of South Africa.
ii. Submit Professional indemnity and type of cover.
iii. Submit company composition on the Company Composition Form which can be found from the SCM Unit.

2.9.3 Additional prerequisites for contractors

This section covers additional Prerequisites for Contractors that have been identified for supply chain management by the SDM. All Contractors must submit the information requested below. Registration forms and bid documents are obtainable from the SCM Unit. Bids will not be considered should the prerequisites not be met.

a) Criteria

Contractor Registration

i. All contractors including sub-contractors must be registered with the Construction Industry Development Board (CIBD)

Subcontracting

i) Should the contractor wish to subcontract any portion of the works, the contractor must submit details of subcontract together with names of subcontractor to the IHLM.
ii) When Subcontracting to Non-B BBEE- Compliant companies, subcontracting will be restricted to a maximum of 25% of the total contract value.
iii) If details of subcontract are not disclosed, the bid will be set aside.
iv) No Subcontractors are to further sub contract any portion of the works without disclosing details to IHLM for approval prior to commencement of works.
v) The Company Composition of the subcontracting firm must be disclosed.

Joint Ventures

i) Submit written proof of Joint Ventures- disclosing Joint Venture partnerships (percentage or names or any other details required by IHLM).
ii) All Joint Venture partners must be registered with the CIBD.
iii) Housing contracts must be registered with the National Home Builders Registration Council (NHBRC).

2.11 OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implementation of this Supply Chain Management System, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

2.12 RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

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;
      a. any matter arising from a contract awarded in the course of the Supply Chain Management System;
      b. to deal with objections, complaints, or queries regarding any such decisions or actions or any matters arising from such contract.

b) 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.

   i) 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.

c) A dispute, objection, complaint or query may be referred to the relevant Provincial Treasury if:
   i) the dispute, objection, complaint or query is not resolved within 60 days;
   ii) no response is forthcoming within 60 days.

d) If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint, or query may be referred to the National Treasury for resolution.

e) This paragraph must not be read as affecting a person's rights to approach a court at any time.

2.13 CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

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

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

3. CHAPTER 3 CODE OF ETHICAL CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

3.1 PURPOSE

The purpose of this code of conduct is to ensure that all business transactions take place in an environment of honesty, integrity, fair competition, and respect for South African Laws. This code outlines the council's

expectations from all its employees and service providers who participate, directly or indirectly, in the Supply Chain Management activities. The main aim is to promote:

a) Mutual trust and respect.
b) An environment where business can be conducted with integrity and in a fair and responsible manner

Failure to adhere to this code is inexcusable and punishable by the council.

3.2 GENERAL PRINCIPLES

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

3.2.2 Employees 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 the public resources are administered responsibly.

3.2.3 Employees 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.

3.3 EMPLOYEE ETHICAL CONDUCT

3.3.1 An employee or other involved with Supply Chain Management:

i) Must treat all providers and potential providers equitably;
ii) May not use his or her position for private gain or to improperly benefit another person;
iii) Must not interfere with Supply Chain Management processes and system in order to influence the outcome of an award by tempering with any price quotations and bids
iv) Must keep all information, including service provider's information, as confidential. Only the duly authorized official will communicate the outcome of the bidding process
v) Must not be soliciting price quotations/bids from bidders/ contractors whose name appear on register for Tender Defaulters;
vi) Must not exploit errors in price in quotations /bids
vii) May not accept any reward, gifts, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, irrespective of the value
viii) Must declare to the Municipal Manager details of any reward , gifts ,favour ,hospitality or other benefit promised , offered or granted to that person or to any close family member, partner or associate of that person and record them on the declaration register to be kept by each manager
ix) Must declare to the Municipal Manager 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 Council; declaration of interests must be recorded in the declaration register kept by the Municipal manager. Declarations by the Municipal manager must be made to the Mayor and the Council.
x) Must declare to the Municipal Manager 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 Council;
xi) 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;

xii) Must declare any business, commercial and financial interests or activities undertaken for financial gain may raise a possible conflict of interest;
xiii) 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
xiv) Should not take improper advantage of their previous office after leaving their official position ;
xv) Employees must report to the Municipal Manager any alleged irregular conduct in the Supply Chain Management System which that person might become aware of ,including:
    a. Any alleged fraud, corruption , favouritism or unfair conduct;
    b. Any alleged contravention of the policy on the inducements , rewards ,gifts and favours to the Council, employees or other role players;
    c. Any alleged breach of this code of conduct.

3.3.2 The Council is committed to the highest standard of integrity and any official transgressing this code will be dealt with in accordance with the Municipal Disciplinary code of conduct.

3.4 RECORD KEEPING

Every Municipal Manager or the delegated official must keep an up to date gift register and record of all declaration made by the employees with regard to:

a) Business interests held by the employees;
b) Business interest held by the family members;
c) Interest in business transaction where conflict of interest exist.
d) The Accounting Officer must keep record of all declaration.

3.5 SERVICE PROVIDERS ETHICAL CONDUCT

a) Service provider, are expected to assist the Council in enforcing good ethical conduct from its employees and:-
    a. Must not induce or put pressure on employees;
    b. Must not induce or reward the employee for contract awarded or to be awarded;
    c. Must not request from employees information about the Council's operations or competitors information; and
    d. Must not offer favours or hospitality to employees irrespective of the value
b) Service providers are expected to comply with this policy fully and failure to do so will lead to barring or black listing from doing business with the Council. The names of service providers defaulting will be submitted to National Treasury for black listing.

3.6 A. IMPLEMENTATION

This code of conduct must be signed by employees of the IHLM and service providers who provide goods and services to the municipality. The code should form part of the tender document/contract to be entered into between the municipality and the service provider.

3.7 B. CERTIFICATE OF ENDORSEMENT:

This Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing, approved by Council and been signed by the Speaker. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede

4. REVIEW OF THE THIS POLICY

This policy will be reviewed annually with the review of the annual budget.

5. ADOPTION OF THE POLICY

Policy adopted by Council of Ingquza Hill Local Municipality for implementation.

Approved by Resolution number…… on this ……. day of ……..2025

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HONORABLE SPEAKER

CLLR S.B. VATSHA