

<b>SUBJECT</b>	<b>SUPPLY CHAIN MANAGEMENT POLICY</b>
<b>OBJECTIVE</b>	To provide guidelines on Supply Chain Management
<b>SCOPE</b>	Applies to all employees
<b>POLICY NO.</b>	CDA-FINANCE-20/08/2013
<b>REVIEWED:</b>	29 October 2020 by Finance Committee
<b>BOARD APPROVAL DATE:</b>	29 October 2020

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Date of adoption:**

The Board resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the under-mentioned policy as the Supply Chain Management Policy of the agency.

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#### **1. Definitions**

In this policy, the singular includes the plural and vice versa, any one gender includes both genders and, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Municipal Finance Management Act has the same meaning as in this Act, and -

**“Accounting Officer”** means the manager of the municipal administration and accounting officer of the agency appointed by the board in terms of section 54A of the Local Government: Municipal Systems Act No. 32 of 2000 and includes any employee of the agency who acts in his stead and, in the event of the agency being subject to an intervention in terms of section 139 of the Constitution or any other applicable law, includes the “Administrator” appointed as a consequence of such intervention or in terms of the conditions pertaining thereto;

**"All applicable taxes"** includes value-added tax, pay as you earn, income tax, skills development levies and unemployment insurance fund contributions;

**"B-BBEE"** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;

**"B-BBEE status level of contributor"** 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;

**"Black people"** is a generic term which means Africans, Coloureds and Indians;

**“Board”** means the board of Cacadu Development Agency;

**"Broad-Based Black Economic Empowerment Act"** means the Broad-Based Black Economic Empowerment Act No. 53 of 2003;

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**“Chief Financial Officer”** means the official of the agency designated as such in terms of section 80(2)(a) of the Municipal Finance Management Act;

**“CIDB regulations”** means any regulations issued in terms of the Construction Industry Development Board Act No. 38 of 2000;

**“Codes of Good Practice”** means the Codes of Good Practice on Black Economic Empowerment issued in terms of section 9 (1) of the Broad-Based Black Economic Empowerment Act and contained in General Notice 12 of 9 February 2007;

**“Comparative price”** means the price after the factors of a non-firm price and all unconditional discounts that can be utilized, have been taken into consideration;

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

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

**“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 for the execution of a contract;

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

**“Contractor”** means a person or body of persons who undertakes to execute and complete construction works for or on behalf of the agency;

**“Contract”** means the agreement that results from the acceptance of a tender by the agency in accordance with this policy;

**“Day”** unless expressly otherwise provided in this policy, means a calendar day, provided that when any particular number of days is prescribed for the doing of any act, or for any other purpose, the same shall be reckoned exclusively of the first and inclusively of the last day, unless the last day happens to fall on a Sunday or on any public holiday, in which case the time shall be reckoned exclusively of the first day and exclusively also of every such Sunday or public holiday;

**“Designated Official”** means the official of the agency to whom the accounting officer or the chief financial officer, as the case may be, have, in accordance with sections 79 and 82 of the Municipal Finance Management Act No. 56 of 2003 delegated powers, functions and duties in connection with the application and implementation of this policy;

**“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;

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

**"Firm price"** means 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 any applicable 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 a contract;

**"Formal written price quotations"** means quotations referred to in paragraph 12 (1) (d) of this policy;

**"Functionality"** means the measurement according to predetermined norms, as set out in the tender specification, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer;

**"Fronting"** means a deliberate circumvention or attempted circumvention of the "Broad-Based Black Economic Empowerment Act and the Codes of Good Practice";

**"Head of Department"** means a senior manager as defined in the Municipal Finance Management Act and who is responsible for a vote as assigned by the accounting officer;

**"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 sub-contractors) 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;

**"In the service of the state"** means to be -

- (a) A member of -
  - (i) any municipal council or board;
  - (ii) any provincial legislature; or
  - (iii) the National Assembly or the National Board of Provinces;
- (b) A member of the board of directors of any municipal entity;
- (c) An official of any agency 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 Act and 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;

**"Line manager"** means a manager reporting directly to a senior manager and who is responsible for a cost centre as assigned by the relevant senior manager;

**"Local content"** means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place;

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

**"List of accredited prospective providers"** means the list of accredited prospective  
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providers which the agency must keep in terms of paragraph 15 of this policy;

**“Agency”** means the Cacadu Development Agency, a district agency established in terms of section 12 of the Local Government: Municipal Structures Act No. 117 of 1998 and includes any employee entitled to or duly authorized to perform any function or duty in terms of this policy and/or is responsible for the implementation of this policy or any part thereof;

**“Municipal Finance Management Act”** means the Local Government: Municipal Finance Management Act No. 56 of 2003 and, unless otherwise stated in this policy, any reference to “the Act” shall mean a reference to this Act;

**“Municipal Systems Act”** means the Local Government: Municipal Systems Act No. 32 of 2000 and includes the regulations under this Act;

**"Non-firm prices"** means all prices other than "firm" prices;

**“Other applicable legislation”** means any other legislation applicable to municipal supply chain management, including but not limited to -

- (a) the Preferential Procurement Policy Framework Act No. 5 of 2000;
- (b) the Broad-Based Black Economic Empowerment Act No. 53 of 2003;
- (c) The Construction Industry Development Board Act No. 38 of 2000;
- (d) The Local Government: Municipal Systems Act No. 32 of 2000 (Municipal Systems Act);

**"Person"** includes a juristic person;

**“Preferential Procurement Regulations”** means the Preferential Procurement Regulations, 2011 contained in Government Notice R 502 of 8 June 2011 promulgated in Government Gazette No. 34350 of this date;

**“Responsive bid”** means a bid that complies in all material aspects with the requirements set out in or contained in an invitation to bid including the applicable specification;

**"Small enterprise"** means a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule to the National Small Business Act No. 102 of 1996 which is contained in Annexure B to this policy and classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the said schedule;

**"Stipulated minimum threshold"** means that portion of local production and content as determined by the Department of Trade and Industry from time to time;

**"Sub-contract"** means the primary contractor's assigning, leasing, making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of a contract;

**"Rand value"** means the total estimated value of a contract in South African currency calculated at the time of tender invitations, and includes all applicable taxes and excise duties;

**“SANAS”** means the South African National Accreditation System;

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**“Tender”** means a written offer in a prescribed or stipulated form in response to an invitation by the agency for the provision of services, works or goods, through price quotations, advertised competitive tendering processes or proposals and **“bid”** has a corresponding meaning;

**“Total revenue”** bears the same meaning assigned to this expression in the Codes of Good Practice;

**“Trust”** means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person;

**“Trustee”** means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person;

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

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

**“Verification Certificate”** means a B-BBEE certificate issued in compliance with the B-BBEE Codes of Good Practice and all Sector Codes issued in terms of Section 9(1) of the Broad-Based Black Economic Empowerment Act;

**“Written quotations”** means quotations referred to in paragraph 12 (1) (c) of this policy.

## **CHAPTER 1** **IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

### **2. Supply chain management policy**

**(1)** All officials and other role players in the supply chain management system of the agency must implement this policy in a way that -

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

**(2)** This policy applies when the agency -

- (a)** procures goods or services;
- (b)** disposes of goods no longer needed;



- (c) selects contractors to provide assistance with the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
  - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including, but not limited to -
- (a) water from the Department of Water Affairs or a public entity, another agency or a municipal entity; and
  - (b) electricity from Eskom or another public entity, another agency or a municipal entity.
- (4) Notwithstanding anything to the contrary in this policy, the agency shall not award a contract to a contractor in respect of the undertaking, carrying out or completion of any construction works or a portion thereof in terms of a competitive tender or quotation process provided for in this policy unless such contractor is registered with the Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act No. 32 of 2000 and holds a valid registration certificate issued by such Board or is exempted from such registration either in terms of the Act or the "CIDB Regulations".

### **3. Amendment and adoption of the supply chain management policy**

- (1) The accounting officer must at least annually review the implementation of this policy and, when necessary, submit proposals for the amendment thereof to the board through the chairperson with a view to its adoption by the board.
- (2) If the accounting officer submits proposed amendments to this policy to the board, he must ensure that same comply with the Regulations and Treasury guideline standards determining standards for municipal supply chain management policies.
- (3) The accounting officer must report any deviation from the Regulations and Treasury guideline standards determining standards for municipal supply chain management policies to the National and Eastern Cape Provincial Treasuries.
- (4) When amending this policy, the need for uniformity in supply chain practices, procedures and forms between all spheres of organs of state particularly to promote accessibility of supply chain management systems for small businesses, must be taken into account.

### **4. Delegation of supply chain management powers and duties**

- (1) The board hereby delegates all powers and duties to the accounting officer which are necessary to enable him -
  - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of -
    - (i) chapters 8 or 10 of the Act; and

- (ii) this policy; and
  - (b) to maximize administrative and operational efficiency in the implementation of this policy; and
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this policy; and
  - (d) to comply with his responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
  - (3) The accounting officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the agency or to a committee which is not exclusively composed of officials of the agency.
  - (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this policy.

## **5. Sub-delegations**

- (1) The accounting officer may, in terms of section 79 of the Act, sub-delegate any supply chain management powers and duties, including those bestowed upon him in terms of legislation or delegated to him in terms of this policy or by resolution of the board, but any such sub-delegation must be consistent with subparagraph (2) and paragraph 4 of this policy.
- (2) The power to make a final award -
  - (a) above R5 million (VAT included) may not be sub-delegated by the accounting officer;
  - (b) above R2 million (VAT included), but not exceeding R5 million (VAT included), may be sub-delegated but only to -
    - (i) the chief financial officer;
    - (ii) a senior manager; or
    - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member;
  - (c) not exceeding R2 million (VAT included) may be sub-delegated but only to -
    - (i) the chief financial officer;
    - (ii) a senior manager; or
    - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
    - (iv) a bid adjudication committee.

- (3)** An official or bid adjudication committee to whom or which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must, within five days of the end of each month, submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including -
  - (i)** the amount of the award;
  - (ii)** the name of the person to whom the award was made; and
  - (iii)** the reason why the award was made to that person.
- (4)** A written report referred to in subparagraph (3) must be submitted-
  - (a)** to the accounting officer, in the case of an award by -
    - (i)** the chief financial officer;
    - (ii)** a senior manager; or
    - (iii)** a bid adjudication committee of which the chief financial officer or a senior manager is a member;
  - (b)** to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by -
    - (i)** a manager referred to in subparagraph (2)(c)(iii); or
    - (ii)** a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5)** Subparagraphs (3) and (4) do not apply to procurements out of petty cash.
- (6)** This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this policy.
- (7)** No supply chain management decision-making powers may be delegated to an advisor or consultant.

## **6. Oversight role of the board**

- (1)** A board member cannot be a member of a bid committee or any other committee evaluating or approving quotations or bids nor attend any meeting of such committees as an observer.
- (2)** The board must maintain oversight over the implementation of this policy to ensure that the accounting officer implements all supply chain management activities in accordance therewith.
- (3)** 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 board through its mayor;

- (b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report thereon to the board through its mayor.
- (4) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of this policy to the mayor.
- (5) The aforesaid reports must be made public in accordance with section 21A of the Municipal Systems Act.

**7. Supply chain management unit**

- (1) A supply chain management unit is hereby established to implement this policy.
- (2) The supply chain management unit shall operate under the direct supervision of the chief financial officer to whom this duty is hereby delegated by the accounting officer in terms of section 82 of the Act.

**8. Training of supply chain management officials**

The training of officials involved in implementing this policy should be in accordance with any Treasury guidelines on supply chain management training and applicable prescribed competency level requirements.

**CHAPTER 2**  
**SUPPLY CHAIN MANAGEMENT SYSTEM**

**9. Format of supply chain management system**

This policy provides systems for -

- (i) Demand management;
- (ii) Acquisition management;
- (iii) Logistics management;
- (iv) Disposal management;
- (v) Risk management; and
- (vi) Performance management.

**Part 1: Demand management**

**10. System of demand management**

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the agency supports its operational commitments and its strategic goals as outlined in the agency's Strategic Plan.
- (2) The demand management system must -
  - (a) include timely planning and management processes to ensure that all goods and services required by the agency are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates and are of the appropriate quality and quantity procured at a fair cost;

- (b)** take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
  - (c)** provide for the compilation of the required specifications to ensure that municipal needs are met;
  - (d)** allow for the undertaking of appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- (3)** The accounting officer must, prior to making an invitation for tenders-
- (a)** properly plan for, and, as far as possible, accurately estimate the costs for the provision of services, works or goods for which an invitation to tenders is to be made;
  - (b)** determine and stipulate, in such invitation, the appropriate preference point system to be utilized in the evaluation and adjudication of such tenders; and
  - (c)** determine whether the services, works or goods for which an invitation to tender is to be made has been designated for local production and content in terms of section 9 of the Preferential Procurement Regulations and paragraph 29(5) of this policy.
- (4)** The accounting officer must indicate in the invitation to submit a tender and in the tender specification -
- (a)** that such tender will be evaluated on functionality and, in such event, the following shall be clearly stated:
    - (i)** the evaluation criteria for measuring functionality which criteria must be objective;
    - (ii)** the weight of each criterion which should not be generic but be determined separately for each bid on a case by case basis;
    - (iii)** the applicable values that will be utilized when scoring each criterion which values must be objective;
    - (iv)** the minimum qualifying score for functionality in order to enable the bid concerned to be further evaluated in terms of this policy provided that the aforesaid qualifying score:
      - (a)** should not be generic but be determined separately for each bid on a case by case basis; and
      - (b)** should not be prescribed so low that it may jeopardize the quality of the service required nor so high that it may be restrictive to the extent that it jeopardizes the fairness of the supply chain management system;
  - (b)** the fact that no tender will be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality as indicated in the invitation to tender and the relevant tender specification; and

- (c) that tenders that have achieved the minimum qualification score for functionality will be evaluated further in terms of the preference point systems referred to in paragraphs 29(3) and 29(4) of this policy.
- (5) Any system designed in terms of this paragraph shall take cognizance of the provisions of this policy.

## **Part 2: Acquisition management**

### **11. System of acquisition management**

- (1) The accounting officer must implement an efficient system of acquisition management in order to ensure -
  - (a) that goods and services are procured by the agency in accordance with authorized processes only;
  - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
  - (c) that the threshold values for the different procurement processes are complied with;
  - (d) that bid documentation, evaluation and adjudication criteria and the general conditions of a contract, are in accordance with any applicable legislation; and
  - (e) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) When procuring goods or services from an organ of state as 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 agency's supply chain management system, including -
  - (a) the kind of goods or services; and
  - (b) the name of the supplier.

### **12. Range of procurement processes**

- (1) Goods and services may only be procured by way of -
  - (a) petty cash purchases up to a transaction value of R 2,000 (VAT included) for items specified in the agency's Petty Cash policy;
  - (b) three written or verbal price quotations for procurements of a transaction value over R2,000 up to R10,000 (VAT included);
  - (c) three formal (closed) written price quotations for procurements of a transaction value over R 10,000 up to R200,000 (VAT included); and
  - (d) a competitive bidding process for -
    - (i) procurements above a transaction value of R200 000 (VAT included); and

(ii) the procurement of long term contracts.

(2) The accounting officer may, in writing:

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

(b) direct that -

(i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or

(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

(3) Calls for quotations and bids for the procurement of goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of this policy or any applicable legislation. When determining transaction values, a requirement for goods or services consisting of different parts or items must, as far as possible, be treated and dealt with as a single transaction.

### **13. Special categories of bidders and suppliers**

In order to promote B-BBEE and comply with applicable legislation including the Codes of Good Practice, this policy recognizes the following special categories of bidders and suppliers:

#### **13.1 Exempted Micro-Enterprise**

(a) An exempted Micro-Enterprise (EME) is an entity with an annual turnover of R5 million or less provided that this amount may be reduced in accordance with sector charter thresholds for specific sectors or industries.

(b) The current thresholds for the Tourism and Construction Sector charters are R2.5 million and R1.5 million respectively.

(c) Exempted Micro-Enterprises are deemed to possess a B-BBEE Status of "Level Four Contributor", having a B-BBEE procurement recognition of 100%.

(d) An Exempted Micro-Enterprise qualifies for a promotion to a B-BBEE Status of "Level Three Contributor" having a B-BBEE procurement recognition of 110% if it is more than 50% owned by black people or by black women.

(e) Exempted Micro-Enterprises are allowed to be measured in terms of the QSE scorecard contained in the applicable code of good practice in the event of them wishing to maximize their points and move to the next procurement recognition level.

(f) Sufficient evidence of qualification as an Exempted Micro-Enterprise is an auditor's certificate or similar certificate issued by an accounting officer of a closed corporation or a verification agency accredited by SANAS.

### **13.2 Qualifying Small Enterprise**

- (a)** Any enterprise with an annual Total Revenue of between R5 million and R35 million qualifies as a Qualifying Small Enterprise.
- (b)** Enterprises claiming qualifying small enterprise status must include in any bid submitted to the agency, an original and valid B-BBEE status level certificate or a certified copy thereof, substantiating their B-BBEE rating. This certificate must be issued by a verification agency accredited by SANAS or a Registered Auditor approved by the Independent Regulatory Board of Auditors.

### **13.3 Start-up enterprises**

- (a)** Start-up enterprises must be measured as Exempted Micro-Enterprises for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the start-up enterprise.
- (b)** Start-up Enterprises are deemed to have a "B-BBEE Status of Level Four Contributor".
- (c)** In order to qualify as a Start-up Enterprise, the enterprise must provide an independent confirmation of its status.
- (d)** Despite subparagraphs (a) and (b), Start-up Enterprises must submit a QSE Scorecard when tendering for any contract or seeking any other business with a value higher than R5 million but less than R35 million. For contracts above R35 million, they should submit the generic scorecard. The preparation of such scorecards must use annualized data.
- (e)** The accounting officer shall reserve the right to require a Start-up Enterprise referred to in subparagraph (d) to submit a verification certificate issued by either a verification agency approved by SANAS or a Registered Auditor approved by the Independent Regulatory Board of Auditors.

### **14. General preconditions for consideration of written quotations or bids**

- (1)** A written quotation or bid may not be considered unless the provider who submitted the quotation or bid concerned -
  - (a)** has furnished his -
    - (i)** full name or names including trading name;
    - (ii)** identification number or company or other registration number;
    - (iii)** tax reference number and VAT registration number, if any;
    - (iv)** registration number in terms of section 18(1) of the Construction Industry Development Board Act in the event of quotes or bids being submitted for construction works or portion thereof;
  - (b)** has provided the agency with an original valid tax clearance certificate from the South African Revenue Services stating that his tax matters are in order;
  - (c)** has, where applicable, provided the agency with a clearance certificate from the Construction Industry Development Board to the effect that he holds a valid registration certificate issued by the Board;



- (d) has provided the agency with a “Certificate of Independent Bid Determination” on Form MBD 9 or a similar form;
- (e) has certified that he and, in the event of the bidder being a company, also any of its directors, is not indebted to the agency or to any other agency or municipal entity for rates, taxes and/or municipal service which are in arrear for a period of more than three months and that no dispute exists between such bidder and the relevant agency or municipal entity in respect of any such arrear amounts;
- (f) has submitted an affidavit certifying -
  - (i) that he is not in the service of the state or has been in the service of the state in the previous twelve months;
  - (ii) that, in the event of the bidder not being a natural person, none of its directors, managers, principal shareholders or stakeholders are in the service of the state nor have they been in the service of the state in the previous twelve months; or
  - (iii) that neither his spouse, child or parent nor a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state or has been in the service of the state in the previous twelve months.
- (g) has submitted the prescribed B-BBEE status level certificate, an auditors’ accounting officer or independent confirmation of status certificate, as the case may be.

(2) This paragraph must be read in conjunction with paragraph 22 of this policy.

**15. Lists of accredited prospective providers**

- (1) The accounting officer must -
  - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
  - (b) at least once a year through newspapers commonly circulating locally, the municipal website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers; and
  - (d) disallow the listing of any prospective provider whose name appears on the National Treasury’s database as a person prohibited from doing business with the public sector.
- (2) The aforesaid list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The aforesaid list must also be compiled per commodity and per type of service.

## **16. Petty cash purchases**

- (a)** Petty cash purchases may only be made in accordance with the Petty Cash policy of the agency.
- (b)** The accounting officer may delegate responsibility for the management of petty cash to an official directly or indirectly reporting to the chief financial officer.
- (c)** No item that is an approved stores item may be purchased by means of a petty cash transaction.
- (d)** No fixed asset regardless of value may be purchased through petty cash.
- (e)** The board must, from time to time, determine the maximum amount of the permissible petty cash expenditure per month;
- (f)** For purposes of the application of this policy, it is recorded that the permissible monthly petty cash expenditure purchases should not exceed R2 000 per day;
- (g)** A weekly reconciliation report must be provided to the chief financial officer within five days of the end of each month by the official authorized to make petty cash purchases and such report shall contain particulars of each final award made by such official during that month, including:
  - (i)** the total amount of petty cash purchases for that month; and
  - (ii)** receipts and supporting documents for each purchase.

## **17. Written or verbal price quotations**

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

- (a)** Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the agency, provided that if quotations are obtained from providers who are not so listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (b)** To the extent feasible, providers must be requested to submit such quotations in writing;
- (c)** If it is not possible to obtain at least three quotations, the reasons for such inability must be recorded on the invitation to submit quotations and reported quarterly to the chief financial officer;
- (d)** The designated officer must record the names of the potential providers requested to provide quotations with their quoted prices; and
- (e)** If a quotation was submitted verbally, the order may be placed only against written confirmation of the price and conditions of supply by the selected provider within the period stipulated in the invitation to submit quotations.

## **18. Formal written price quotations**

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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 agency;
- (b) In the event of it not being possible to obtain quotations from at least three different providers whose names appear on the list of accredited prospective providers of the agency, quotations may be obtained from providers who are not so listed, provided that such providers meet the listing criteria set out in paragraph 14 (1) (b) and (c) of this policy and, provided further, that the reasons for obtaining such quotations from the providers concerned must be recorded on the invitation to submit quotations and be approved by the chief financial officer.

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

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

- (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, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website of and on the official notice board of the agency;
- (c) Offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) Offers below R30 000 (all taxes included) must be awarded based on compliance with specifications, conditions of contract, ability, capacity and capability to deliver the required goods and/or services and lowest price; provided that the accounting officer may direct, in appropriate cases, that the formula referred to in subparagraph (e) be used to calculate points for price;
- (e) Offers above R30 000 (all applicable taxes included) must be awarded based on compliance with specifications, conditions of contract, ability, capacity and capability to deliver the required goods and/or services and lowest price provided that the accounting officer may direct, in appropriate cases, that the following formula be used to calculate points for price:

$$P_s = 80 \left[ 1 - \frac{P_t - P_{min}}{P_{min}} \right]$$

Where:

Ps	=	Points scored for comparative price of tender or offer under consideration;
Pt	=	Comparative price of tender or offer under consideration; and
Pmin	=	Comparative price of lowest acceptable tender or offer.

- (f) Prior to the award of a contract with a price in excess of R10 000, the designated official must verify the status of recommended bidders (including their directors(s), owners(s) or trustee(s) by checking the Data Base of Restricted Suppliers maintained by National Treasury in order to ensure that no recommended bidder or any of its directors/owners/trustees are listed as companies or persons prohibited from doing business with the public sector;
- (g) A call for quotations in terms of foregoing paragraphs must be in writing and contain a specification for the goods and/or services to be procured as well as details of the preference points system to be used in adjudicating quotations;
- (h) The designated official must, in writing, notify the chief financial officer within 3 days after the end of each month of all written, verbal and formal written price quotations accepted or approvals given in terms of the foregoing subparagraphs;
- (i) The chief financial officer must ensure that adequate systems are in place to meet the requirements for proper record keeping;
- (j) Acceptable offers must be awarded to the bidder who scored the highest points in accordance with the stipulated preference points system.

## **20. Competitive bidding process**

- (1) Subject to paragraph 11 (2) of this policy, goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process.
- (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
- (3) The accounting officer may split unduly large quantities of work into smaller contracts (units) to promote manageability and provide opportunities for emerging entrepreneurs. This procedure may only be followed when technically, logistically and financially feasible.

## **21. Process for competitive bidding**

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

- (a) Compilation of bidding documentation as detailed in paragraph 22;
- (b) Public invitation of bids as detailed in paragraph 23;
- (c) Site meetings or briefing sessions as detailed in paragraph 23;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 24;
- (e) Evaluation of bids as detailed in paragraph 32;

- (f) Award of contracts as detailed in paragraph 33;
- (g) Administration of contracts - after the award of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping;
- (i) Original/legal copies of written contracts agreements should be kept in a secure place for reference and audit purposes.

## **22. Bid documentation for competitive bids**

Bid documentation for a competitive bidding process must, in addition to the requirements of paragraph 14 -

- (a) Take into account -
  - (i) the general conditions of contract and any special conditions of contract, if specified;
  - (ii) any Treasury guidelines on bid documentation;
  - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction works;
  - (iv) relevant B-BBEE verification and certification requirements;
  - (v) relevant local content or production requirements.
- (b) Include the preference points system to be used in adjudicating bids, namely 80/20 or 90/10 as prescribed in the Preferential Procurement Regulations;
- (c) Compel bidders to declare, by means of an affidavit, any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) Compel bidders to submit a "Certificate of Independent Bid Determination" on form MBD 9 or similar document;
- (e) If the value of the transaction is expected to exceed R5 million (VAT included), require bidders to furnish -
  - (i) if the bidder is required by law to prepare annual financial statements for auditing, his audited annual financial statements -
    - (a) for the past three years; or
    - (b) since establishment, if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that he has no undisputed commitments for municipal services towards a agency or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contracts;

- (iv) a statement indicating whether or not any portion of the goods or services required by the agency are expected to be sourced from outside the Republic, and, if so, what portion and also whether or not any portion of the payment to be made by the agency is expected to be transferred out of the Republic; and
- (f) 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.

### **23. Public invitation for competitive bids**

- (1) The procedure for the invitation of competitive bids is as follows:
  - (a) any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the agency and in any other appropriate manner (which may include an advertisement in the Government Tender Bulletin); and
  - (b) the information contained in a public advertisement, must include -
    - (i) subject to subparagraph 2, the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R5 million (VAT included) or which are of a long term nature, or 14 days in any other case, reckoned from the date on which the advertisement is placed in a newspaper;
    - (ii) a statement that bids may only be submitted on the bid documentation provided by the agency; and
    - (iii) the date, time and venue of any compulsory site meetings or briefing session;
    - (iv) a statement to the effect that a bid from a prospective bidder who did not attend a prescribed compulsory site meeting or briefing session referred to in subparagraph (iii) will not be considered.
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or in any exceptional case where it is impractical or impossible to follow the official procurement process and such fact shall, for auditing purposes, be recorded in the authority to invite bids.
- (3) Bids submitted must be sealed and marked in a manner stipulated in the invitation to bid.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies which must reach the accounting officer before the closing time for the receipt of bids on the bid closing date as stipulated in the invitation to bid.
- (5) Where the agency invites expressions of interest or bids for construction works with a value in excess of R30 000, it must publish such invitations on the website of the CIDB.

- (6) The agency must also comply with the applicable provisions of the Standard for Uniformity in Construction Procurement contained in Board Notice No. 86 of 2010 issued by the Construction Industry Development Board insofar as such provisions relate to the invitation of bids.

#### **24. Procedure for handling, opening and recording of bids**

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

- (a) Bids -
- (i) must be opened only in public;
  - (ii) must be opened at the same time and as soon as possible after the published closing time or period for the submission of bids; and
  - (iii) received after the published closing time or period should not be considered and be returned to the bidder, unopened, immediately.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted responsive bids before the closing time or period be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the information referred to in subparagraph (b), relating to a bid should be disclosed to bidders or other persons until the successful bidder is notified of the award of the relevant bid; and
- (d) The designated official opening received bids must -
- (i) record in a register to be provided for this purposes, all bids received before the closing time or period for the submission of same;
  - (ii) make the aforesaid register available for public inspection during the normal office hours of the agency; and
  - (iii) publish the entries in the aforesaid register and the bid results on the website of the agency.

#### **25. Negotiations with preferred bidders**

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -
- (a) does not allow any preferred bidder a second or unfair opportunity;
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted;
  - (d) will not be contrary to any legal requirement or amount to a prohibited practice.
- (2) Minutes of such negotiations must be kept for record and audit purposes.

#### **26. Two-stage bidding process**

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

## **27. Committee system for competitive bids**

- (1) A committee system for competitive bids shall be established, consisting of the following committees for procurement as the accounting officer may determine:
  - (a) a bid specification committee;
  - (b) a bid evaluation committee; and
  - (c) a bid adjudication committee;
- (2) The accounting officer shall, in writing, appoint the members of each committee in respect of each competitive bid invitation, taking into account the provisions of section 117 of the Act in terms of which no board member may be a member of any such committee or attend any of its meetings as an observer.
- (3) A neutral or independent observer, appointed by the accounting officer, may attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with -
  - (a) paragraphs 28, 32 and 33 of this policy; and
  - (b) any other applicable legislation.
- (5) The accounting officer may, in appropriate cases and in his sole discretion, apply the committee system to formal written price quotations.

## **28. Bid specification committees**

- (1) A bid specification committee must compile the specifications for procurement of goods or services by the agency.
- (2) A bid specification committee must be composed of one or more officials of the agency preferably the line manager responsible for the function concerned, and may, when appropriate, include external specialist advisors.
- (3) 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.



- (4) Where a bid specification is compiled with due regard to the findings and recommendations contained in a prior, associated feasibility study, the person, advisor or corporate entity who or which prepared the said feasibility study may be prohibited from bidding for the resulting contracts in circumstances where such person, advisor or corporate entity may obtain an unfair advantage or where a conflict of interest may arise.
- (5) A specification referred to in this paragraph must be approved by the accounting officer in writing prior to publication of the invitation for bids in terms of paragraph 23.

## **29. Specifications**

### **29.1 General Requirements**

Specifications -

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services to the agency;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

### **29.2 Functionality**

Where functionality is utilized as an evaluation criterion, specifications must clearly specify:

- (i) the evaluation criteria for measuring functionality which criteria must be objective, the weight of each criterion, the applicable values and the minimum qualifying score for functionality; and
- (ii) the fact that no tender will be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality as indicated in the tender specification concerned; and

- (iii) that tenders that have achieved the minimum qualification score for functionality will be evaluated further in terms of the preference point systems referred to in subparagraphs (3) and (4) below.

### 29.3 80/20 Preference Points System

(3.1) Where applicable, specifications must include the following preference points evaluation system for the acquisition of services, works or goods up to a Rand value of R1 000 000 (all applicable taxes included):

- (i) the following formula will be used to calculate the points for price in respect of tenders (including price quotations) with a Rand value equal to, or above R 30 000 and up to a Rand value of R1 000 000 (all applicable taxes included):

$$P_s = 80 \left[ 1 - \frac{P_t - P_{min}}{P_{min}} \right]$$

Where:

$P_s$  = Points scored for comparative price of tender or offer under consideration;

$P_t$  = Comparative price of tender or offer under consideration; and

$P_{min}$  = Comparative price of lowest acceptable tender or offer.

- (ii) subject to subparagraph (iii), points must be awarded to a tenderer for attaining the B-BBEE status level of contributor in accordance with the following tables:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

Or

In respect of Exempted Micro Enterprises (EME's)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Preference Points
More than 50%	3	16
Less than 50%	4	12

- (iii) a maximum of 20 points may be allocated under subparagraph (ii);
- (iv) the points scored by a tenderer in respect of B-BBEE contribution contemplated in subparagraph (ii) must be added to the points scored for price as calculated in accordance with subparagraph (i);

(3.2) The B-BBEE status level attained by a tenderer must be used to determine the number of points contemplated in subparagraph 3.1 (ii).

(3.3) Specifications must also must provide, as a special condition of contract, that, in the event of all tenders received exceeding the estimated Rand value of R1 000 000, the tender invitation will be cancelled, provided that if one or more of the acceptable tenders received are within the aforesaid threshold of R1 000 000, all tenders received will be evaluated in accordance with this preference point system.

#### 29.4 90/10 Preference Points System

(4.1) Where applicable, specifications must include the following preference points evaluation system for the acquisition of services, works or goods with a Rand value above R1 000 000 (all applicable taxes included):

- (i) the following formula will be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

$$P_s = 90 \left[ 1 - \frac{P_t - P_{min}}{P_{min}} \right]$$

Where:

$P_s$  = Points scored for comparative price of tender or offer under consideration;

$P_t$  = Comparative price of tender or offer under consideration; and

$P_{min}$  = Comparative price of lowest acceptable tender or offer.

- (ii) subject to subparagraph (iii), points must be awarded to a tenderer for attaining the B-BBEE status level of contributor in accordance with the following table:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	8
4	5
5	4
6	3
7	2

8	1
Non-compliant contributor	0

Or

In respect of Exempted Micro Enterprises (EME's)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Preference Points
More than 50%	3	8
Less than 50%	4	5

- (iii) a maximum of 10 points may be allocated under subparagraph (ii).
- (iv) the points scored by a tenderer in respect of the level of B-BBEE contribution contemplated in subparagraph (ii) must be added to the points scored for price as calculated in accordance with subparagraph (i);

**(4.2)** The B-BBEE status level attained by a tenderer must be used to determine the number of points contemplated in subparagraph 4.1 (ii).

**(4.3)** Specifications must also must provide as a special condition of contract, that, in the event of all tenders received being equal to, or below R1 000 000, the invitation to tender will be withdrawn and all tenders received shall be regarded as having been cancelled provided that, If one or more of the acceptable tenders received are above the prescribed threshold of R 1 000 000, all tenders received will be evaluated in accordance with this preference point system.

## 29.5 Local Production

**(5.1)** Where, in the case of tenders in designated sectors, local production and content is of critical importance, the tender specification must clearly state, as a condition of tender, that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content, will be considered.

**(5.2)** The tender specification must also stipulate:

- (a)** that the exchange rate to be used for the calculation of local content or local production will be the exchange rate published by the South African Reserve Bank at 12:00 on the date, one week (7 calendar days) prior to the closing date of the invited bid;
- (b)** that only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:201x will be used to calculate local content in accordance with the following formula:

$$LC = 1 - \frac{X}{y} \times 100$$

Where

- x imported content
- y bid price excluding value added tax (VAT)

and that the prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the South African Reserve Bank at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid;

- (c) that the Form MBD 6.2 (Declaration Certificate for Local Content) duly complete and signed must form part of the bid documentation;
- (d) that the agency reserves the right to verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the aforesaid Certificate.

**(5.3)** The accounting officer may decide to include in any invitation to bid a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by National Treasury in consultation with the Department of Trade and Industry and, in such event, the requirements stipulated in subparagraph 5.2 shall be inserted in the tender specification.

**(5.4)** Where necessary, bid specifications for tenders referred to in subparagraph 5.1 may state that a two- stage tendering process will be followed, where the first stage will involve functionality and minimum threshold for local production and content and the second stage price and B-BBEE with the possibility of price negotiations only with the short listed tenderers with a view to effecting cost savings in circumstances where the tendered prices are obviously inflated or to ensure the award of the tender concerned within budgetary constraints provided that, where such negotiations take place, the principles contained in paragraph 25.1 of this policy shall be applied.

**(5.5)** Any tender specification issued in terms of this subparagraph must be capable of being measured and audited.

## **29.6 B-BBEE status level certificates and scorecards**

Bid specifications must state that:

- (i) Those tenderers who qualify as Exempted Micro Enterprises (EME's) in terms of the Broad-Based Black Economic Empowerment Act, must submit, together with their tender, a certificate to this effect issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporations Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency provided that a certificate issued by an Accounting Officer of a closed corporation must be on his letterhead which should also contain his practice number and contact number clearly specified on the face of such certificate.
- (ii) Tenderers other than Exempted Micro-Enterprises (EME's) must submit, with their tender, their original and valid B-BBEE Status Level Verification Certificate complying at least with the provisions subparagraphs (v) and (vi), or a certified copy thereof, in

support of their B-BBEE rating.

- (iii) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as a legal entity, provided it submits its B-BBEE Status Level Verification Certificate with its tender.
- (iv) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as an unincorporated entity, provided that it submits its consolidated B-BBEE scorecard as if were a group structure and, provided further, that such a consolidated B-BBEE scorecard is prepared for every separate tender.
- (v) As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:
  - The name and physical location of the measured entity;
  - The registration number and, where applicable, the VAT number of the measured entity;
  - The date of issue and date of expiry;
  - The certificate number for identification and reference;
  - The scorecard that was used (for example EME, QSE or Generic);
  - The name and / or logo of the Verification Agency;
  - The SANAS logo;
  - The signature of the authorized person from the Verification Agency concerned; and
  - The B-BBEE Status Level of Contribution obtained by the measured entity.
- (vi) The format and content of B-BBEE Status Level Verification Certificates issued by registered auditors approved by the Independent Regulatory Board of Auditors (IRBA) must -
  - Clearly identify the B-BBEE approved registered auditor by the auditor's individual registration number with IRBA and the auditor's logo;
  - Clearly record an approved B-BBEE Verification Certificate identification reference in the format required by the SANAS;
  - Reflect relevant information regarding the identity and location of the measured entity;
  - Identify the Codes of Good Practice or relevant Sector Codes applied in the determination of the scores;
  - Record the weighting points (scores) attained by the measured entity for each scorecard element, where applicable, and the measured entity's overall B-BBEE Status Level of Contribution;
  - Reflect that the B-BBEE Verification Certificate and accompanying assurance report issued to the measured entity is valid for 12 months from the date of issuance;
  - Reflect both the issuance and expiry date of the Verification Certificate.

## **29.7 Additional Conditions**

A bid specification must include a reference to the following additional conditions, where applicable:

### **29.7.1 Sub-contracting**

- (a) A person will not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a tenderer intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- (b) A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- (c) A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

### 29.7.2 Specific goals

- (a) In terms of section 7 of the Preferential Procurement Regulations, a contract may be awarded to a tenderer that did not score the highest total number of points, only in accordance with section 2 (1) (f) of the Preferential Procurement Policy Framework Act No. 5 of 2000.
- (b) In the application of section 2 (1)(f) of the aforesaid Act, the accounting officer may explicitly determine in any bid specification that a tenderer shall be required to attain a specific goal or goals *other* than and excluding the goals of contracting with historically disadvantaged persons and implementing Reconstruction and Development Programmes in order to qualify for the award of a contract.

### 29.8 Miscellaneous Special Conditions of Contract

A bid specification must, inter alia, include the following conditions as Special Conditions of Contract:

#### 29.8.1 General

- (a) Only a tenderer who has completed and signed the declaration part of the tender documentation may be considered;
- (b) When comparative prices must be calculated, any discounts which have been offered unconditionally will be taken into account;
- (c) A discount which has been offered conditionally will, despite not being taken into account for evaluation purposes, be implemented when payment to a tenderer in respect of an accepted tender is effected;
- (d) Points scored will be rounded off to the nearest 2 decimal places.
- (e)
  - (i) In the event that two or more tenders score equal total points, the successful tender will be the one scoring the highest number of preference points for B-BBEE;
  - (ii) However, when functionality is part of the evaluation process and two or more tenders have scored equal points including equal preference points for B-BBEE, the successful tender will be the one scoring the highest score for

- functionality.
- (iii) Should two or more tenders be equal in all respects, the award shall be decided by the drawing of lots.

#### **29.8.2 Cancelling a tender**

- (f) The accounting officer may, prior to the award of a tender, by notice in the media in which the original tender was advertised, cancel such tender if due to changed circumstances, there is no longer a need for the services, works or goods requested or if funds are no longer available to cover the total envisaged expenditure or if no acceptable tenders are received.

#### **29.8.3 Declarations**

- (g) A tenderer must -
  - (i) declare that the information provided in a tender document is true and correct;
  - (ii) declare that the signatory to a tender document is duly authorised; and
  - (iii) undertake to submit documentary proof regarding any tendering issue when required to the satisfaction of the agency.

#### **29.8.4 Remedies**

- (h) In addition to the action contemplated in paragraph 41 of this policy which shall be read in conjunction with this subparagraph:
    - (i) The agency will, upon detecting that the B-BBEE status level of contribution has been claimed or obtained by a tenderer on a fraudulent basis or any of the conditions of a contract awarded to such tenderer or contractor have not been fulfilled, act against such tenderer or person awarded the ensuing contract.
    - (ii) The agency may, in addition to any other remedy it may have against the person contemplated in subparagraph (i) above-
      - (a) disqualify the person concerned from participating in any future tender process with the agency;
      - (b) recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;
      - (c) cancel the relevant contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;
    - (iii) The agency may restrict a tenderer or contractor, its shareholders and directors, or only the shareholders and directors, as the case may be, who acted on a fraudulent basis in connection with a tender, from obtaining business from the agency for a period not exceeding 10 years, provided that, before exercising this right, the agency shall give the persons or parties concerned an opportunity to make representations and be heard in defence of such contemplated action; and
    - (iv) The agency may refer any fraudulent action on the part of a tenderer or
- 
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contractor or any party aforesaid to the South African Police Services with a view to criminal prosecution.

- (i) Where a tenderer or contractor is restricted in terms of subparagraph (h)(iii) above, the accounting officer shall forward the relevant details to National Treasury for inclusion in the Central Database of Restricted Suppliers.

### **30. Procurement from tertiary institutions**

- (a) Where the agency is in need of a service provided by only tertiary institutions, such services must be procured through a tendering process with the identified tertiary institutions.
- (b) Tertiary institutions referred to in subparagraph (a) will be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.
- (c) Should the agency require a service that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a contractor will be done by means of a tendering process.
- (d) Public entities must be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.
- (e) For purposes of this paragraph, a tendering process includes a written offer in a prescribed or stipulated form in response to an invitation by the agency for the provision of services, works or goods, through price quotations, advertised competitive tendering processes or proposals.

### **31. Re-invitation of tenders**

The accounting officer must re-invite tenders cancelled in terms of paragraphs 29(3.3) and 29(4.3) and must, in the new tender documents, stipulate the correct preference point system to be applied.

### **32. Bid evaluation committees**

- (1) A bid evaluation committee must, as far as possible, be composed of-
  - (a) officials from departments requiring the goods or services; and
  - (b) at least one supply chain management practitioner of the agency.
- (2) A bid evaluation committee must -
  - (a) evaluate bids in accordance with the relevant bid specification, inclusive of unconditional discounts, sub-contracting and this policy; and
  - (b) evaluate each bidder's ability to execute the contract provided that, where bids are invited on the basis of functionality as a criterion, they must be evaluated in the following two stages:

**(i) First stage - evaluation of functionality**

- (a)** bids must be evaluated in terms of the evaluation criteria embodied in the bid specification. The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids is not allowed as this may jeopardize the fairness of the process;
- (b)** a bid will be considered further if it achieves the prescribed minimum qualifying score for functionality;
- (c)** bids that fail to achieve the minimum qualifying score for functionality must be disqualified;
- (d)** score sheets should be prepared and provided to panel members to evaluate the bids;
- (e)** a score sheet should contain all the criteria and the weight for each criterion as well as the values to be applied for evaluation as indicated in the bid specification;
- (f)** each panel member should, after thorough evaluation, independently award his own value to each individual criterion;
- (g)** score sheets should be signed by panel members and if necessary, a written motivation may be requested from panel members where vast discrepancies in the values awarded for each criterion exist -

provided that if the minimum qualifying score for functionality is indicated as a percentage in the bid specification, the percentage scored for functionality may be calculated as follows:

- (h)** the value awarded for each criterion should be multiplied by the weight for the relevant criterion to obtain the score for the various criteria;
- (i)** the scores for each criterion should be added to obtain the total score; and
- (j)** the following formula should be used to convert the total score to percentage for functionality:

$$P_s = \frac{S_o}{M_s} \times 100$$

Where:

$P_s$  = percentage scored for functionality by bid under consideration

So = total score of bid under consideration

Ms = maximum possible score

- (k) the percentage of each panel member should be added and divided by the number of panel members to establish the average percentage obtained by each bidder for functionality.

**(ii) Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems**

Only bids that achieve the minimum qualifying score / percentage for functionality must be evaluated further in accordance with the bid specification.

- (c) evaluate bids based on a stipulated minimum threshold for local production and content as required in the relevant bid specification in the following two stages:

**(i) First stage – Evaluation in terms of the stipulated minimum threshold for local production and content**

- (a) bids must be evaluated in terms of the evaluation criteria stipulated in the bid specification. The amendment of the stipulated minimum threshold for local production and content after the closure of bids is not allowed as this may jeopardize the fairness of the process;

- (b) a bid must be disqualified if:

- the bidder fails to achieve the stipulated minimum threshold for local production and content; and
- the Declaration Certificate for Local Content (Form MBD 6.2) is not submitted as part of the bid;

- (c) calculate the local content (LC) as a percentage of the bid price in accordance with the SABS approved technical specification number SATS 1286: 201x;

- (d) verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (Form MBD 6.2)

**(ii) Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems**

- (e) only bids that achieve the minimum stipulated threshold for local production and content must be evaluated further in accordance with the relevant preference point system referred to in the bid specification.

- (f) where appropriate, prices may be negotiated only with short listed or preferred bidders. Such negotiations must, however, not prejudice any other bidders.
- (d) check in respect of the recommended bidder whether or not such bidder's municipal rates and taxes and municipal service charges are not in arrears;
- (e) verify the status of recommended bidders (including their directors(s), owners(s) or trustee(s)) by checking the Data Base of Restricted Suppliers maintained by National Treasury in order to ensure that no recommended bidder or any of its directors/owners/trustees are listed as companies or persons prohibited from doing business with the public sector.
- (f) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter provided that:
  - (i) a contract must be awarded to the bidder who scored the highest total number of points in terms of the preference points systems referred to in paragraphs 29(3.3) and 29(4.3) as may be applicable; and
  - (ii) in exceptional circumstances and as provided in paragraph 29(7.2) of this policy, a contract may be awarded to a bidder that did not score the highest number of points provided that the reasons for such a recommendation must be recorded for audit purposes and be defensible in a court of law.

### **33. Bid adjudication committees**

- (1) A bid adjudication committee must consist of at least four senior managers of the agency which must include -
  - (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (b) at least one senior supply chain management practitioner who is an official of the agency or the parent municipality; and
  - (c) a technical expert in the relevant field who is an official of the agency if the agency has such an expert.
- (2) The accounting officer must appoint the chairperson of the committee who shall preferably be the chief financial officer. 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 and such election must be recorded in the minutes of the meeting concerned.
- (3) Only with the consent of the accounting officer and upon request by the bid adjudication committee, a member of a bid specification, bid evaluation committee and/or an advisor or person assisting these committees may be a member of a bid adjudication committee for the purpose of providing clarity and an explanation of difficult technical aspects relating to the bid being adjudicated.
- (4) A bid adjudication committee must -
  - (a) consider the report and recommendations of the bid evaluation committee

submitted in terms of paragraph 32; and

- (b)** either -

  - (i)** depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
  - (ii)** make another recommendation to the accounting officer on how to proceed with the relevant procurement.
- (5)** 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 -

  - (a)** check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
  - (b)** notify the accounting officer.
- (6)** The accounting officer may -

  - (a)** after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in subparagraph 5(a); and
  - (b)** if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (7)** 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.
- (8)** If a tender other than the one recommended in the normal course of implementing this policy is approved, the accounting officer must, in writing and within 10 working days, notify the Auditor-General and the National and Provincial Treasuries of the reasons for deviating from such recommendation.
- (9)** Subparagraph 8 does not apply if a different tender was approved in order to rectify an irregularity.

#### **34. Procurement of banking services**

- (1)** A contract for banking services -

  - (a)** must be procured through competitive bids;
  - (b)** must be consistent with section 7 or 85 of the Act; and
  - (c)** may not be for a period of more than five years at a time.
- (2)** The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3)** The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 23 (1).

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

**35. Procurement of IT related goods or services**

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

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

- (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if -
- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - (b) there is no reason to believe that such contract was not validly procured;
  - (c) there are demonstrable discounts or benefits to do so; and
  - (d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Subparagraphs (1) (c) and (d) do not apply if -
- (a) a municipal entity procures goods or services through a contract secured by its parent agency; or
  - (b) a agency procures goods or services through a contract secured by a municipal entity of which it is the parent agency.

**37. Procurement of goods necessitating special safety arrangements**

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

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

### **38. Appointment of consultants**

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

### **39. Deviation from, and ratification of minor breaches of, procurement processes**

- (1) The accounting officer may -
- (a) dispense with the official procurement processes established by this policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only -
    - (i) in an emergency;
    - (ii) if such goods or services are produced or available from a single provider only;
    - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
    - (iv) acquisition of animals for zoos and/or nature and game reserves; or
    - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this policy and report them to the next meeting of the board and also include such reasons as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

#### **40. Unsolicited bids**

- (1) An unsolicited bid is a bid that is submitted by a prospective supplier to the agency without any procurement requirement first having been identified and advertised. This situation arises when a supplier identifies an opportunity to render services or supply products not ordinarily required by the agency.
- (2) In accordance with section 113 of the Act, there is no obligation upon the agency to consider unsolicited bids received outside a normal bidding process.
- (3) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid but only if -
  - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to the agency or have exceptional cost advantages;
  - (c) the person who made the bid is the sole provider of the product or service concerned; and
  - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (4) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (3), his decision must be made public in accordance with section 21A of the Municipal Systems Act, together with -
  - (a) reasons as to why the bid should not be open to other competitors;
  - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) an invitation to the public or other potential suppliers to submit their comments on the proposal within 30 days of the publication of the relevant notice.
- (5) The accounting officer must submit all written comments received pursuant to subparagraph (4), including any responses from the unsolicited bidder, to the National and Provincial Treasuries for comment.
- (6) Subject to subparagraphs (7) and (8) below, the adjudication committee must consider the unsolicited bid and may, depending on its delegations, award the bid or



- make a recommendation to the accounting officer.
- (7) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (8) When considering the matter, the adjudication committee must take into account -
- (a) any comments submitted by the public; and
  - (b) any written comments and recommendations of the National and Provincial Treasuries.
- (9) If any recommendations of the National and Provincial Treasuries are rejected or not followed, the accounting officer must submit to the Auditor-General and the National and Provincial Treasuries the reasons for rejecting or not following those recommendations.
- (10) 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 agency to the bid may be entered into or signed within 30 days of the submission.
- (11) The processes to be followed by the agency with regard to the acceptance or rejection of an unsolicited bid shall clearly be made known to the bidder who submits the unsolicited bid concerned.
- (12) The board shall exercise caution when interviewing a potential supplier or a person who may wish to offer services to the agency in circumstance which may be tantamount to the submission of or negotiation with regard to an unsolicited bid and shall not do anything or cause anything to be done which may be contrary to this policy.

#### **41. Combating of abuse of supply chain management system**

- (1) The accounting officer must-
- (a) take all reasonable steps to prevent abuse of the supply chain management system;
  - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this policy, and when justified -
    - (i) take appropriate steps against such official or other role player; or
    - (ii) report any alleged criminal conduct to the South African Police Service;
  - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
  - (d) reject any bid from a bidder -
    - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the agency, or to any other agency or municipal entity, are in arrears for more than three months; or

- (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the agency or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
  - (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
  - (f) cancel a contract awarded to a person if -
    - (i) such person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
    - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
  - (g) Reject the bid of any bidder if that bidder or any of its directors -
    - (i) has abused the supply chain management system of the agency or has committed any improper conduct in relation to such system;
    - (ii) has been convicted for fraud or corruption during the past five years;
    - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
    - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National and Provincial Treasuries in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) above.

### **Part 3: Logistics, Disposal, Risk and Performance Management**

#### **42. Logistics management**

The accounting officer must establish and implement an effective system of logistics management, which must include -

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order,

the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### **43. Disposal management**

- (1) In terms of section 14 of the Act, the agency may not transfer ownership as a result of sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- (2) A agency may transfer ownership or otherwise dispose of capital asset other than one contemplated in subsection (1), but only after the board, in a meeting open to the public-
  - (a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
  - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- (3) Assets may be disposed of by -
  - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
  - (iii) selling the asset; or
  - (iv) destroying the asset.
- (4) The accounting officer must ensure that -
  - (a) when immovable property is sold by means of a competitive bidding process, the highest price offered shall be accepted, provided such price is equal to or higher than the market related price for the relevant immovable property;
  - (b) in other cases, only at a market related price except when the public interest or the plight of the poor demands otherwise in which event the sale price shall be determined in accordance with the applicable land disposal or indigent policy adopted by the board;
  - (c) movable assets are sold either by way of written price quotations, a competitive bidding process or by public auction at the highest offered price, provided such price is market related;

- (d) 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;
  - (e) immovable property is let at market related rentals except when the public interest or the plight of the poor demands otherwise in which event the rental shall be determined in accordance with the applicable land disposal or indigent support policy adopted by the board;
  - (f) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
  - (g) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
  - (h) 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.
- (5) This paragraph must be read with and applied in conjunction with the Municipal Asset Transfer Regulations contained in Government Notice R. 878 of 22 August 2008 and the associated policies adopted by the board. In the event of conflict, the provisions of the aforesaid Regulations shall be applied.

#### **44. Risk management**

- (1) The accounting officer must establish and implement an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
- (2) Risk management must include -
  - (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
  - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

#### **45. Performance management**

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

### **Part 4: Other matters**

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

- (1) No award above R15 000 may be made in terms of this policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person, the accounting officer must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days of request for confirmation in terms of subparagraph (2), such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

**47. Prohibition on awards to persons in the service of the state**

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) who is an advisor or consultant contracted with the agency.

**48. 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 R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -

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

**49. Ethical standards**

- (1) The code of ethical standards annexed to this policy as Annexure A shall apply to all officials and other role players in the supply chain management system of the agency in order to promote -
  - (a) mutual trust and respect; and
  - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) A breach of the aforesaid code of ethics must be dealt with as follows -
  - (a) in the case of an employee, in terms of the disciplinary procedures of the agency envisaged in section 67(1)(h) of the Municipal Systems Act;
  - (b) in the case a role player who is not an employee, through other appropriate means with due regard to the severity of the breach;

(c) in all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

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

- (1) No person who is a provider or prospective provider of goods or services or a recipient or prospective recipient of goods disposed of 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 agency for or in connection with the award of a contract; or
  - (b) any reward, gift, favour or hospitality to -
    - (i) any official; or
    - (ii) any other role player involved in the implementation of this policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph 1 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

**51. Sponsorships**

The accounting officer must promptly disclose to the National and Eastern Cape 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 to the agency; or
- (b) a recipient or prospective recipient of goods disposed of or to be disposed of by the agency.

**52. Objections and complaints**

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

**53. Resolution of disputes, objections, complaints and queries**

- (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes -
- (a) to assist in the resolution of disputes between the agency and other persons regarding -
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or

- (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer or another official designated by the accounting officer is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
  - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the Eastern Cape Provincial Treasury if -
  - (a) the dispute, objection, complaint or query is not resolved within 60 days of lodgment; or
  - (b) no response is forthcoming within 60 days of lodgment.
- (5) If the Eastern Cape Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query concerned may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a competent court for such order as may be just and necessary in the circumstances at any time.

**54. Contracts providing for compensation based on turnover**

If a service provider acts on behalf of the agency 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 agency must stipulate -

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

**55. Contract Management – issue of variation orders**

- (a) The accounting officer or nominee may, subject to subparagraphs (b) to (d) authorize the issue of variation orders in respect of contract specifications or conditions of contract in order to accommodate costs for additional work either unforeseen when contracts were awarded for infrastructure projects, essential or necessary additional work or in instances where factors beyond the control of an appointed contractor has led to or will lead to a delay in a contract completion date.

- (b) A variation order may only be issued after -
  - (i) the need for such order has been fully motivated by the responsible project manager and supported by the head of department concerned; and
  - (ii) the chief financial officer has certified that funds are available to cover the cost the required additional work.
- (c) A request for the issue of a variation order in an amount exceeding R200 000 shall first be referred to the Bid Adjudication Committee which considered the initial bid for approval provided that the accounting officer may constitute a new Bid Adjudication Committee for this purpose.
- (d) No request for a variation order may be approved in circumstance where new bids may be invited for the additional work concerned.
- (e) The line manager responsible for the implementation of a project undertaken either departmentally or through an appointed contractor must keep a proper record of all variation orders issued in respect of a project.
- (f) The original copy of an issued variation order must be filed with the original bid and contract documents;
- (g) The responsible line manager must, upon completion of additional work or the expiry of any extended contract period authorized by a variation order, certify that the terms and conditions of such variation order have been complied with.

## 56. Application of policy to municipal entities

- (a) The provisions of this policy generally do not apply to municipal entities.
- (b) The supply chain management system of a municipal entity shall be applied with due regard to the provisions of this policy and the Regulations and, in the event of conflict, the provisions of the Regulations shall enjoy preference.

## 57. Fronting

- (a) For purposes of this paragraph, “fronting” shall include the under-mentioned acts on the part of a tenderer or any person or party associated with a tenderer:
  - (i) **Window-dressing:** This includes cases in which black people are appointed or introduced to an enterprise on the basis of tokenism and may subsequently be discouraged or inhibited from substantially participating in the core activities of the enterprise concerned and/or be discouraged or inhibited from substantially participating in the declared areas and/or levels of their participation;
  - (ii) **Benefit Diversion:** This includes initiatives where the economic benefits received by an organization for having B-BBEE Status do not flow to black people in the ratio specified by law;



- (iii) **Opportunistic Intermediaries:** This includes enterprises that have concluded agreements with other enterprises in order to leverage the opportunistic intermediary's favourable B-BBEE status in circumstances where the agreement involves:

  - (a) Significant limitations or restrictions on the identity of the opportunistic intermediary's suppliers, service providers, clients or customers;
  - (b) The maintenance of their business operations in a context reasonably considered improbable having regard to resources; and
  - (c) Terms and conditions that are not negotiated at arms-length on a fair and reasonable basis.
- (b) Where the accounting office detects fronting, he must act against a tenderer concerned in terms of paragraph 29(8.4) and, in addition, report such fronting to the Department of Trade and Industry.

#### **58. Commencement**

This policy takes effect on the date of its adoption by the board.

**CACADU DEVELOPMENT AGENCY**

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

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

**1. General Principles**

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

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

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

**2. Conflict of interest**

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

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

undertaken for financial gain that may raise a possible conflict of interest;

- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) should not take improper advantage of their previous office after leaving their official position.

### **3. Accountability**

- 3.1 Practitioners are accountable for their decisions and actions to the public.
- 3.2 Practitioners should use public property scrupulously.
- 3.3 Only accounting officers or their delegates have the authority to commit the agency to any transaction for the procurement of goods and / or services.
- 3.4 All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- 3.5 Practitioners must assist the accounting officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system.
- 3.6 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including but not limited to -
  - (i) any alleged fraud, corruption, favoritism or unfair conduct;
  - (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
  - (iii) any alleged breach of this code of conduct.
- 3.7 Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

### **4. Openness**

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

### **5. Confidentiality**

- 5.1 Any information that is the property of the agency or its providers should be protected at all times. No information regarding any bid/contract/bidder/contractor may be revealed if such an action will infringe on the relevant bidder's/contractors personal rights.
- 5.2 Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of

duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

## **6. Bid Specification / Evaluation / Adjudication Committees**

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

## **7. Combative Practices**

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

- (i)** suggestions to fictitious lower quotations;
- (ii)** reference to non-existent competition;
- (iii)** exploiting errors in price quotations / bids;
- (iv)** soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

**ANNEXURE B****SCHEDULE TO SMALL BUSINESSES ACT NO. 102 OF 1996**

Column 1	Column 2	Column 3	Column 4	Column 5
Sector or sub-sector in accordance with the Standard Industrial Classification	Size of class	The total full-time equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R 5 m	R 5 m
	Small	50	R 3 m	R 3 m
	Very small	10	R 0.50 m	R 0.50 m
	Micro	5	R 0.20 m	R 0.10 m
Mining and Quarrying	Medium	200	R 39 m	R 23 m
	Small	50	R 10 m	R 6 m
	Very small	20	R 4 m	R 2 m
	Micro	5	R 0.20 m	R 0.10 m
Manufacturing	Medium	200	R 51 m	R 19 m
	Small	50	R 13 m	R 5 m
	Very small	20	R 5 m	R 2 m
	Micro	5	R 0.20 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R 51 m	R 19 m
	Small	50	R 13 m	R 5 m
	Very small	20	R 5.10 m	R 1.90 m
	Micro	5	R 0.20 m	R 0.10 m
Construction	Medium	200	R 26 m	R 5 m
	Small	50	R 6 m	R 1 m
	Very small	20	R 3 m	R 0.50 m
	Micro	5	R 0.20 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	200	R 39 m	R 6 m
	Small	50	R 19 m	R 3 m
	Very small	20	R 4 m	R 0.60 m
	Micro	5	R 0.20 m	R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R 64 m	R 10 m
	Small	50	R 32 m	R 5 m
	Very small	20	R 6 m	R 0.60 m
	Micro	5	R 0.20 m	R 0.10 m
Catering, Accommodation and other Trade	Medium	200	R 13 m	R 3 m
	Small	50	R 6 m	R 1 m
	Very small	20	R 5.10 m	R 1.90 m
	Micro	5	R 0.20 m	R 0.10 m
Transport, Storage and Communications	Medium	200	R 26 m	R 6 m
	Small	50	R 13 m	R 3 m
	Very small	20	R 3 m	R 0.60 m
	Micro	5	R 0.20 m	R 0.10 m
Finance and Business Services	Medium	200	R 26 m	R 5 m
	Small	50	R 13 m	R 3 m
	Very small	20	R 3 m	R 0.50 m
	Micro	5	R 0.20 m	R 0.10 m
Community, Social and Personal Services	Medium	200		
	Small	50		
	Very small	20		
	Micro	5		