



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD
[REG. No: 2011/001221/07]

POLICY: SUPPLY CHAIN MANAGEMENT

Administrative Responsibility:	Chief Executive Officer
Implementing Department / Departmental Unit	Budget and Treasury Office

Table of Contant

Preamble.....	5
1. Interpretation of the Policy.....	5

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy.....	9
3. Amendment of supply chain management policy.....	9
4. Delegation of supply chain management powers and duties.....	10
5. Sub delegations.....	10
6. Oversight role of board.....	11
7. Supply chain management units.....	12
8. Training of supply chain management officials.....	12

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management system.....	12
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Part 1: Demand management

10. System of demand management.....	12
--------------------------------------	----

Part 2: Acquisition management

11. System of acquisition management.....	12
12. Range of procurement processes.....	13
13. General preconditions for consideration of written quotations or bids.....	14
14. Lists of accredited prospective providers.....	14
15. Petty cash purchases.....	14
17. Formal written price quotations.....	16
18. Procedures for procuring goods or services through formal written price quotations.....	16
19. Competitive bidding process.....	17
20. Process for competitive bidding.....	17
21. Bid documentation for competitive bids.....	18
22. Public invitation for competitive bids	18
23. Procedure for handling, opening and recording of bids.....	19
24. Negotiations with preferred bidders.....	19
25. Two-stage bidding process.....	20
26. Committee system for competitive bids.....	20

PREAMBLE

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

The principles of this policy are those set out in the legislative frameworks mentioned above in particular that of realizing value for money and good governance and ensuring cost effectiveness and competitive equitable, transparent and fair access to procurement opportunities to all.

1. INTERPRETATION OF THE POLICY

1.1. The Policy is aimed at providing the framework and context for the Harry Gwala Development Agency Supply Chain Management. It is intended to provide and highlight a detailed synopsis of Harry Gwala Development Agency SCM process.

1.1.1. The following words shall have the meanings hereby assigned to them –

“**BID**”- means a written offer, in the form determined by instruction, in response to an invitation for the procurement of goods or services or other form of procurement through a price quotation, a competitive bidding process, a limited bidding process or any other method envisaged in the Act.

“**BIDDER**”- means any person/enterprise which has submitted a Bid.

“**COMPETITIVE BIDDING PROCESS**” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy.

“**COMPETITIVE BID**” means a bid in terms of a competitive bidding process.

“**CEO**” shall mean the Chief Executive Officer of the Harry Gwala Development Agency (Pty) Ltd

“**FORMAL WRITTEN PRICE QUOTATION**” means quotations referred to in paragraph 12 (1) (c) of this Policy.

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

“**HGDA**” means the Harry Gwala Development Agency (Pty) Ltd, a company duly incorporated in terms of the laws of the Republic of South Africa with registration number: 2011/001221/07, in which the Harry Gwala District Municipality, as Parent Municipality, holds a sole interest.

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

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

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

“URGENCY AND EMERGENCY CASES” Cases are defined as urgent or emergency when the following criteria have been met:-

- (a) The duration of invitation of bids would have a material impact on service delivery/community/public and early delivery is of critical importance.
- (b) resulted from natural disaster i.e. beyond human control; and
- (c) immediate action is required to avoid a dangerous or life-threatening situation, misery or want.

Poor planning is not a justifiable cause of an emergency or urgent situation. Written motivation must be provided, detailing the reasons as to why procurement must be done under circumstances of urgency or emergency.

“YOUTH” means persons between the ages of 14 and 35 as the National Youth Development Agency Act 54 of 2008

LEGAL FRAMEWORK

This policy is guided among others by the following legislation and agreements as amended from time to time:

- 1.2.1 Constitution of the Republic of South Africa
- 1.2.2 Local Government: Municipal Finance Management Act
- 1.2.3 Municipal Supply Chain Management Regulations
- 1.2.4 Local Government: Municipal Systems Act
- 1.2.5 Local Government: Municipal Structures Act
- 1.2.6 National Treasury Guidelines and Circulars
- 1.2.7 Harry Gwala Development Agency Supply Chain Management Policy
- 1.2.8 Harry Gwala Development Agency Contract Management Procedure Manual

- (a) ensure that such proposed amendments comply with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the KZN Provincial Treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
 - (4) The Chief Executive Officer the municipal Entity must, in terms of Section 62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipal Entity has and implements the SCM Policy

4. Delegation of supply chain management powers and duties

- (1) Harry Gwala Development Agency hereby delegates all powers and duties to the Chief Executive Officer which are necessary to enable the Chief Executive Officer –
 - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximize administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to the Chief Executive Officer in terms of sub-paragraph (1).
- (3) Chief Executive Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the Harry Gwala Development Agency or to a committee which is not exclusively composed of officials of the Harry Gwala Development 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 26 of this Policy.

5. Sub-delegations

- (1) Chief Executive Officer may in terms of section 79 or 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Chief Executive Officer in terms of this Policy, but any such sub delegation must be consistent with sub-paragraph (2) of this paragraph and paragraph 4 of this Policy.

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

7. Supply chain management unit

- (1) The Chief Executive Officer must establish and implement the SCM Policy.
- (2) The supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

8. Training of supply chain management officials

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

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) Chief Executive Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by Harry Gwala Development Agency support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must –
 - (i) include timely planning and management processes to ensure that all goods and services required by the Harry Gwala Development 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 at a fair cost;
 - (ii) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and

- (ii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in sub regulation (1)(c)(i) to (iii).
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. General preconditions for consideration of written quotations or bids

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

- (a) has furnished –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
- (b) has submitted a CSD or Tax compliance PIN from the South African Revenue Services that the provider's tax matters are in order; in terms of MFMA circular number 90 and
- (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state or has been in the service of the state in the previous twelve months.

14. Lists of accredited prospective providers

- (1) Chief Executive Officer must –
 - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through formal written price quotations; and
 - (b) at least once a year through newspapers commonly circulating locally, the 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.

- (11) All of the above controls must be dealt with upfront as part of the approved strategy, and executed during the contract management phase

15. Petty cash purchases

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

- (a) The Chief Financial Officer may, in writing, delegate the responsibility to monitor Petty Cash purchases to:
- (i) The person reports directly to the Chief Financial Officer on all funds paid out together with budget
 - (ii) The petty cash box should be locked at all times and that no unauthorized person(s) have access to the petty cash box.
 - (iii) The person responsible must ensure that, at all times she or he has all hard copies as proof of petty cash claims not exceeding R350 for any claim at a time and that till slips are not accepted as proof of payment
 - (iv) The responsible person must balance the petty cash each time when preparing a replenishment voucher and get it approved by the Chief Financial Officer.
 - (v) The maximum amount held by the responsible person should not exceed R5000.
 - (vi) Each department shall be allocated an amount of R1 000. (Budget and Treasury Department, Corporate Services, Growth and Development and Office of the Chief Executive Officer
- (b) A maximum of three petty cash purchases per month will be allowed for each departmental section.
- (c) The following types of expenditure are prohibited from the petty cash purchases:
1. No item which is available on contract basis may be purchased by using petty cash, except in the case of dire or critical need, and such item is not available from the contracted supplier.
 2. For the purchase of a stock item (item that should be kept in stores), except in the case of dire or critical need, and such item is not available from the contracted supplier.
 3. Certain types of transactions will be excluded from the Petty Cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, subsistence and travelling claims, airtime, etc.
 4. The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis may not each time be purchased by means of Petty Cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. coffee and milk for the boardrooms committee meetings if these items are required on a daily, weekly and monthly.
- (d) A monthly reconciliation report from the delegated official must be submitted to the Chief Financial Officer, including –
- (i) the total amount of petty cash purchases for that month; and

- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer.
 - (d) Chief Executive Officer must record the names of the potential providers and their written quotations, and
 - (e) To the extent feasible, the service providers or suppliers must be requested to submit such quotations in writing
- (3) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that subparagraph.

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

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

- (a) When using the list of accredited prospective providers the Chief Executive 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 and be advertised for at least seven (7) days on the website and an official notice board of Harry Gwala Development Agency
- (c) That the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused; and
- (d) That the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub delegation; and
- (e) Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price
- (f) For proper record keeping and audit purposes, the following documentation must be kept by Finance and department procuring goods or services;
 - (i) the authorized purchase requisition produced by the department requiring goods and services.
 - (ii) formal written price quotations
 - (iii) the order authorized by the Chief Financial Officer.
 - (iv) formal signed delivery note submitted by the successful supplier.
 - (v) formal invoice or certificate of work performed submitted by the successful supplier.
 - (vi) goods received voucher, as prepared by expenditure: creditors section.
 - (vii) the cheque voucher prepared by the delegated official and authorized by Chief Financial Officer.
 - (viii) the authorized payment cheque.
 - (ix) Any minutes of a bid resolution by the Bid Adjudication or Awarding Committee.
 - (x) Proof of authorized direct payment processed for each transaction

- (aa) for the past three years; or
- (bb) since their establishment if established during the past three years;
- (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal entity services towards an entity or other service provider in respect of which payment is overdue for more than 30 days;
- (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
- (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from HGDA, entity is expected to be transferred out of the Republic; and
- (d) 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.

22. Public invitation for competitive bids

- (1) The procedure for the invitation of competitive bids, is as follows:
 - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Harry Gwala Development Agency or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin and eTender publication portal); and
 - (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-paragraph of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by Harry Gwala Development Agency and
 - (iii) date, time and venue of any proposed site meetings or briefing sessions.
 - (iv) statement stating that no late bid proposal will be accepted.
- (2) Chief Executive Officer may determine a closure date for the submission of bids which is less than the 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

23. Procedure for handling, opening and recording of bids

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

- (a) Bids–
 - (i) must be opened only in public;

- (3) A neutral or independent observer, appointed by the Chief Executive Officer must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
 - (a) paragraph 27, 28 and 29 of this Policy; and
 - (b) any other applicable legislation.
- (5) Chief Executive Officer may apply the committee system to formal written price quotations.
- (6) For continuity and not to delay meetings, the Chief Executive Officer may also appoint secundi to temporarily replace members that are absent from meetings due to illness, leave, etc. The accounting officer will also decide whether or not such secundi will have the same powers as members.

27. Bid Specification Committees

- (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality entity.
- (2) Specifications –
 - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards 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 labeling of conformity certification.

- (1) A bid evaluation committee must –
 - (a) evaluate bids in accordance with – the specifications for a specific procurement;
 - (b) evaluate each bidder's ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of -
 - (a) two senior officials of the municipal entity who must serve as standing members; one from the Supply Chain Management Unit or Budget and Treasury Office who will Chair and the others from Corporate Services, office of the CEO and Local Economic Development Office
 - (b) must be appointed for a period of 12/24 months which is in line with the financial year end of the municipal entity, subject to the annual reviewal of this policy
 - (c) one senior official to be co-opted from end user department preferably a responsible for the function involved.
 - (d) co- opted external specialized expert where deemed necessary;
 - (e) the quorum must be equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one member referred to in (b) above.

29. Bid adjudication committees

- (1) A bid adjudication committee must –

- (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) Chief Executive Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) Chief Executive Officer must comply with section 114 of the Act within 10 working days

30. 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 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

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

34. Proudly SA Campaign

- (1) Harry Gwala Development Agency supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
 - Firstly – suppliers and businesses within Harry Gwala Development Agency or Harry Gwala district;
 - Secondly – suppliers and businesses within the KwaZulu Natal province;
 - Thirdly – suppliers and businesses within the Republic.

35. Appointment of consultants

- (1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.
- (2) A contract for the provision of consultancy services to a municipality or municipal entity must be procured through competitive bids if—
 - (a) the value of the contract exceeds—
 - (i) R300 000 (VAT included), in the case of a local municipality.
 - (ii) R200 000 (VAT included), in the case of a district municipality.
 - (ii) R750 000 (VAT included), in the case of a metropolitan municipality; or the period of the contract exceeds one year.
 - (e) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - (f) all consultancy services provided to an organ of state in the last five years; and
- (3) any similar consultancy services provided to an organ of state in the last five years.
- (4) Chief Executive 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 Harry Gwala Development Agency.

- (a) reasons as to why the bid should not be open to other competitors.
- (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
- (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) Chief Executive Officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder to the National Treasury and the KZN provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Chief Executive Officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the KZN Provincial Treasury.
- (8) If any recommendations of the National Treasury or KZN Provincial Treasury are rejected or not followed, the Chief Executive Officer must submit to the Auditor General, the KZN Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing Harry Gwala Development Agency to the bid may be entered into or signed within 30 days of the submission.

- (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 Chief Executive Officer must inform the National Treasury and KZN Provincial Treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

39. URGENT AND EMERGENCY PROCUREMENT DELEGATION

Should it be impractical to invite competitive bids for a specific procurement in the case of emergency and urgent cases or in case of sole supplier, the Chief Executive Officer may procure such required goods and services in accordance with MFMA, 2003 Municipal Supply Chain Management Regulations 36 by other means such as price quotations or negotiations. The reasons for deviating from inviting competitive bids should be recorded and approved by the Chief Executive Officer or the delegated officials. Poor planning is not a justifiable cause of an emergency and urgent procurement situation.

39.1 DELEGATED OFFICIALS TO DECLARE AND APPROVE URGENT AND EMERGENCY PROCUREMENT OF GOODS AND SERVICES

- 39.1.1 The Chief Financial Officer may approve urgent and emergency procurement of goods and services up to the value of R30 000.
- 39.1.2 Accounting Officer (Chief Executive Officer) has unlimited authority to approve urgent and emergency procurement of goods and services.

39.2 CONDITIONS ATTACHED TO THE URGENT AND EMERGENCY PROCUREMENT OF GOODS AND SERVICES.

- 39.2.1 At least three (3) written quotations must be obtained.
- 39.2.2 If it is not possible to obtain three written quotations, the reasons should be recorded and recommended by the Chief Financial Officer and approved by Chief Executive Officer, as per 39.2.7 above, depending on value.
- 39.2.3 Where only one quotation is received and accepted, all reasonable steps must be taken to ensure that the price is fair and market related.
- 39.2.4 Quotations to be evaluated by the Bid Evaluation Committee and therefore make recommendation to the Chief Financial Officer to recommend and Chief Executive Officer must approve.
- 39.2.5 A contract shall only be awarded to an acceptable supplier who scored the highest points in accordance with the predetermined criteria and registered in

- (i) An obsolescence plan must be determined for each asset to ensure that when the asset can no longer be maintained or used for its original purpose, that there is a plan to replace it.
 - (a) No immovable asset or movable assets shall be disposed of, before it has been written off in terms of the Asset management policy adopted by the board
 - (b) Redundant material held in the stores or elsewhere can only be disposed of, after a full report has been tabled to board and approved.
 - (c) The disposal of assets and redundant materials shall be disposed off in terms of Section 41(3) of this policy.
- (2) A renewal plan must be determined for assets that have reached the end of its useful life.
- (2) Asset disposal decisions must be made within an integrated, service and financial planning framework.
- (4) 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.
- (5) Harry Gwala Development Agency must establish a disposal strategy to determine the best mechanism of disposal for each asset and the Chief Executive Officer must ensure that –
- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
 - (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
 - (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

42. Risk management

- (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:
 - 42.1 risk management aspect must be allocated to the Chief Financial Officer, the SCM Manager, the internal audit function and the Audit Committee, each of which shall

47. Ethical standards

- (1) A code of ethical standards as set out in the "*National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management*" is hereby established for officials and other role players in the supply chain management system of the municipal entity in order to promote-mutual trust and respect; and
 - (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) A breach of the code of ethics must be dealt with as follows -
 - (a) in the case of an employee, in terms of the disciplinary procedures of the municipal entity envisaged in section 67(1)(h) of the Municipal Systems Act;
 - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.
- (2) The Chief Executive Officer must keep a register of all declarations of interests, in terms of SCM regulation 46 (2)(d) &(e).
- (3) All declarations by the Chief Executive Officer must be made to the Mayor

48. Inducements, rewards, gifts and favor's to municipal entity, officials and other role players

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
 - (a) any inducement or reward to Harry Gwala Development 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) Chief Executive 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.

49. Sponsorships

- Chief Executive Officer must promptly disclose to the National Treasury and the KZN Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
- (a) a provider or prospective provider of goods or services; or
 - (b) a recipient or prospective recipient of goods disposed or to be disposed.

53. Preference Point Systems

The 80/20 preference point system is applicable to bids with a Rand value equal to or up to a Rand value of R50 million (all applicable taxes included).

The 90/10 preference point system is applicable to bids with a Rand value above R50 million (all applicable taxes included).

Calculation of points for price

The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formulae to be utilised in calculating points scored for price are as follows:

80/20 Preference point system [(for acquisition of services, works or goods up to a Rand value of R50million) (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 bid or offer under consideration

P_t = Comparative price of bid or offer under consideration

P_{\min} = Comparative price of lowest acceptable bid or offer.

90/10 Preference point system [(for acquisition of services, works or goods with a Rand value above R50million) (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 bid or offer under consideration

P_t = Comparative price of bid or offer under consideration

P_{\min} = Comparative price of lowest acceptable bid or offer.

Points scored must be rounded off to the nearest 2 decimal places.

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

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

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

- an EME (exempted micro enterprise) or QSE (qualifying small business enterprise) which is at least 51% owned by black with disabilities
- a co-operative which is at least 51% owned by black people an EME (exempted micro enterprise) or QSE (qualifying small business enterprise) which is at least 51% owned by black people who are military veterans

Preference Goal 2: RDP Goals

- The promotion of South African owned enterprises;
- The promotion of export orientated production to create jobs;
- The promotion of SMMEs;
- The creation of new jobs or the intensification of labour absorption;
- The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
- The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
- The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered;
- The promotion of enterprises located in rural areas;
- The empowerment of the work force by standardising the level of skill and knowledge of workers;
- The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations

Preference Goal 3: Combinations of any other Goals

Organs of state may also combine any specific goals above in a manner that will help them evaluate and apply preference points to tenders.

Points must be awarded to a bidder for specific goals in accordance with the table below:

Specific Goals	Weight	Number of points (80/20 system)	Number of points (90/10 system)
Ownership	60%	10	6
Reconstruction & Development Programme	20%	5	2
Other (Specify)	20%	5	2
	100%	20	10

EVALUATION OF BIDS THAT SCORED EQUAL POINTS

In the event that two or more bids have scored equal total points, the successful bid must be the one that scored the highest points for specific goals.

Functionality will not apply on supply and delivery of goods and services, this will be evaluated on the basis of pricing, budget threshold and other criterion that may be determined or triggered by nature of goods and be aligned to the core mandate of the entity.

57. Commencement

This policy will come into effect once it has been approved and shall be reviewed at least annually.

APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
Mrs T.T. Thiyane Magaqa		Acting Chief Executive Officer	22 May 2025