

LEKWA - TEEMANE LOCAL MUNICIPALITY

“NW396”



SUPPLY CHAIN MANAGEMENT POLICY

PART A

**Supply Chain Management Policy
for Procurement of Goods and
Services**

(Incorporating Preferential Procurement)

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DEFINITIONS

1. In this Supply Chain Management Policy, unless the context indicates otherwise;

- 1.1 “Adjudication points”: means the points referred to in the Preferential Procurement Regulations, 2011 and the Preferential Procurement section of this policy, also referred to as “evaluation points”.
- 1.2 “Asset”: means a tangible or intangible resource capable of ownership.
- 1.3 “Bidder”: means any person submitting a competitive bid or a quotation pursuant to definition 1.26.
- 1.4 “Broad-Based Black Economic Empowerment (BBBEE) Act”: means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.
- 1.5 “Capital Asset”: means:
 - 1.5.1 any immovable asset such as land, property or buildings; or
 - 1.5.2 any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment.
- 1.6 “Municipality”: means the municipality of the Lekwa-Teemane Local Municipality or any person(s) or committee delegated with the authority to act on its behalf.
- 1.7 “Municipal Manager”: means the Accounting Officer as defined in the Municipal Finance Management Act.
- 1.8 “Closing Time”: means the time and day specified in the bid documents for the receipt of bids.
- 1.9 “Competitive Bidding Process”: means a competitive bidding process referred to in Regulation 12 (1) (d) of the Supply Chain Management Regulations.
- 1.10 “Competitive Bid”: means a bid in terms of a competitive

bidding process.

- 1.11 “Community Based Vendor”: means a supplier of goods, services and/or construction works who resides in a target area or community, who meets the criteria for community based vendors as determined by the Manager: Demand and Acquisition from time to time, and who is registered as such on the Municipality’s Supplier database.
- 1.12 “Construction Industry Development Board (CIDB) Act”: means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.
- 1.13 “Construction Works”: means any work in connection with:
 - 1.13.1 the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure;
 - 1.13.2 the installation, erection, dismantling or maintenance of a fixed plant;
 - 1.13.3 the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or
 - 1.13.4 the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.
- 1.14 “Consultant”: means a person or entity providing services requiring knowledge based expertise, and includes professional service providers.
- 1.15 “Contract”: means the agreement which is concluded when the Municipality accepts, in writing, a bid or quote submitted by a provider.
- 1.16 “Contractor”: means any person or entity whose bid or quote has been accepted by the Municipality.
- 1.17 “Contract participation goal”: means the amount equal to the sum of the value of work for which the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.
- 1.18 “Day(s)”: means calendar days unless the context indicates otherwise.
- 1.19 “Delegated Authority”: means any person or committee delegated with authority by the Municipality in terms of the provisions of the Municipal Finance Management Act.
- 1.20 “Disability”: means, in respect of a person, a permanent impairment of a

physical, intellectual or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner or in the range considered normal for a human being.

- 1.21 “Bulletin Board”: means an electronic method of obtaining bids or quotations.
- 1.22 “ Empowerment Indicator”: means a measure of an enterprise/business’s contribution towards achieving the goals of government’s Reconstruction and Development Program. This indicator will relate only to certain specific goals for the purposes of this Policy.
- 1.23 “Exempted Capital Asset”: means a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section.
- 1.24 “Evaluation Points”: also referred to as “Adjudication Points” (see clause 1.1 above). PART
- 1.25 “Final Award”: in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
- 1.26 “Formal Written Price Quotation”, “Written Price Quotation”, “Quotation” or “Quote”: means a written or electronic offer to the Municipality in response to an invitation to submit a quotation.
- 1.27 “Functionality”: is the measure, according to predetermined criteria, of the suitability of a proposal, design or product for the use for which it is intended, and may also include a measure of the competency of a supplier. “Functionality” is also referred to as “Quality”.
- 1.28 “Granting of Rights”: means the granting by the Municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to “transfer” or “disposal” of the asset and which includes leasing, letting, hiring out, etc, of the capital asset.
- 1.29 “Green Procurement”: is defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised.
- 1.30 “Implementing Agent”: means the decision maker/manager mandated by the Municipality to implement projects and invite bids/quotations for procurement of any nature.
- 1.31 “In the service of the state”: means:

- 1.32.1 a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;
 - 1.32.2 an official of any municipality or municipal entity;
 - 1.32.3 an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1 of 1999;
 - 1.32.4 a member of the board of directors of any municipal entity;
 - 1.32.5 a member of the accounting authority of any national or provincial public entity; or
 - 1.32.6 An employee of Parliament or a provincial legislature.
- 1.32 “Joint Venture or Consortium”: means an association of persons/companies/close corporations/firms formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The Joint Venture must be formalised by agreement between the parties.
- 1.33 “Municipal Asset Transfer Regulations”: means the Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008.
- 1.34 “Municipal Entity”: means an entity as defined in the Systems Act.
- 1.35 “Municipal Finance Management Act” (MFMA): means the Local Government: Municipal Finance Management Act, 56 of 2003.
- 1.36 “Non-exempted Capital Asset”: means a municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section.
- 1.37 “One-off Contract”: means a discrete contract where specified goods, services or construction works are supplied for an approved contract sum.

- 1.38 “Person”: includes a natural or juristic entity.
- 1.39 “Policy”: means this Supply Chain Management Policy as amended from time to time.
- 1.40 “Preference points”: mean the points for preference referred to in this Policy.
- 1.41 “Preferential Procurement Policy Framework Act” (PPPFA): means the Preferential Procurement Policy Framework Act, 5 of 2000.
- 1.42 “Preferential Procurement Regulations”: means the regulations pertaining to the PPPFA.
- 1.43 “Prime Contractor”: shall have the same meaning as “Contractor”.
- 1.44 “Promotion of Administrative Justice Act”: means the Promotion of Administrative Justice Act, 3 of 2000.
- 1.45 “Quality”: also referred to as “Functionality” (see clause 1.27 above).
- 1.46 “Republic”: means the Republic of South Africa.
- 1.47 “Responsible Agent”: means those internal project managers being Municipality officials or external consultants appointed by the Municipality responsible for the administration of a project or contract.
- 1.48 “SARS”: means the South African Revenue Services.
- 1.49 “Small, Medium and Micro Enterprises (SMME’s)”: bears the same meaning assigned to this expression in the National Small Enterprise Act, 102 of 1996.
- 1.50 “Sub-contractor”: means any person or entity that is employed, assigned, leased or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.
- 1.51 “Supplier/Vendor”: are generic terms which may include suppliers of goods and services, contractors and/or consultants.
- 1.52 “Supplier Database”: means the list of accredited prospective providers which are registered at a Central Supplier Database at National Treasury in terms of SCM regulations.
- 1.53 “Supply Chain Management (SCM) Regulations”: means the Municipal Supply Chain Management Regulations published in Government Gazette 27636 of 30 May 2005.
- 1.54 “Systems Act”: means the Local Government: Municipal Systems Act, 32 Of 2000.

- 1.56 “Tender/Tenderer”: means “bid/bidder” in the context of construction works procurement.
 - 1.57 “Term Bid”: means a rates based bid for the ad-hoc or repetitive supply of goods, services or construction works, where the individual rates are approved for use over a specified contract period.
 - 1.58 “Treasury Guidelines”: means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA;
 - 1.59 “Unsolicited Bid”: means an offer submitted by any person at its own initiative without having been invited by the Municipality to do so.
2. Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, close corporations and firms, unless the context clearly indicates otherwise.
 3. All amounts/limits stated in this document shall be deemed to be inclusive of Value Added Tax (VAT).

POLICY STATEMENT

Introduction

4. Section 111 of the Municipal Finance Management Act requires each municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.
5. In addition, the Preferential Procurement Policy Framework Act requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement section of this Policy.

Goal

6. The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the **Lekwa-Teemane Local Municipality**, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
 - a. to stimulate and promote local economic development in a targeted and focused manner;
 - b. to promote resource efficiency and greening;
 - c. to facilitate creation of employment and business opportunities for the people of **Lekwa-Teemane Local Municipality**;
 - d. to promote the competitiveness of local businesses;
 - e. to increase the small business sector access, in general, to procurement business opportunities created by Council;
 - f. to increase participation by small, medium and micro enterprises (SMME s); and
 - g. to promote joint venture partnerships.

Objectives

7. The objectives of this Policy are:
 - 7.1 to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;
 - 7.2 to comply with all applicable provisions of the Municipal Finance Management Act including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA;
 - 7.3 to ensure consistency with all other applicable legislation and any regulations pertaining thereto, including:
 - 7.3.1 the Preferential Procurement Policy Framework Act;
 - 7.3.2 the Broad-Based Black Economic Empowerment Act;
 - 7.3.3 the Construction Industry Development Board Act;
 - 7.3.4 the Local Government: Municipal Systems Act; and
 - 7.3.5 the Promotion of Administrative Justice Act
8. This Policy will also strive to ensure that the objectives for uniformity in supply chain management systems between organs of state, in all spheres, is not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

Oversight

9. Section 117 of the Municipal Finance Management Act prohibits a Municipality Councillor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipality Councillor attend any such meeting as an observer.
10. Council, however, has an oversight role to ensure that the Municipal Manager implements this Supply Chain Management Policy.
11. The Mayor must provide general political guidance over the fiscal and financial affairs of the Municipality and may monitor and oversee the exercise of responsibilities assigned to the Municipal Manager and chief financial officer in terms of the Municipal Finance Management Act.

12. For the purposes of such oversight, the Municipal Manager shall, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this Policy to the Executive Mayor and, within 30 days of the end of each financial year, shall submit a similar such report to Council.
13. In addition, if any serious problem arises in relation to the implementation of this Policy, the Municipal Manager shall immediately report to Council accordingly.
14. All such reports shall be made public in accordance with section 21.(1)(a) of the Systems Act.

Compliance with Ethical Standards

15. In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of the **Lekwa-Teemane Local Municipality** involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.
16. All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, and this Policy's Code of Ethical Standards.

GENERAL PROVISIONS AND APPLICATION OF POLICY

Commencement and Review

17. This policy is effective from 01 July 2016 upon approval by council.
18. The Municipal Manager must annually review the implementation of this Policy and if she/he considers it necessary, submit proposals for the amendment of the Policy to the Council for approval.

Application of Policy

19. This Policy applies to:
 - 19.1 the procuring of goods or services and consultant services;
 - 19.2 the disposal by the Municipality of goods no longer needed;
 - 19.3 the selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where chapter 8 of the Systems Act applies; or
 - 19.4 The selection of external mechanisms referred to in section 80 (1) (b) of the Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
20. Unless specifically stated otherwise, this Policy does not apply if the Municipality contracts with another organ of state for:
 - 20.1 the provision of goods or services to the Municipality;
 - 20.2 the provision of a municipal service; or
 - 20.3 The procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.

A report shall nevertheless be submitted to the Bid Adjudication Committee seeking authority to contract with another organ of state.

21. The Policy provides for the following supply chain management systems:
 - 21.1 Demand management system;
 - 21.2 Acquisition management system;
 - 21.3 Logistics/Inventory management system;

21.4 Assets/Disposal management system;

21.5 Risk management system;

21.6 Performance management system.

22. These systems must be adhered to in all supply chain management activities undertaken by the Municipality.

Delegations

23. To the extent that it may be necessary, Council authorises the Municipal Manager to delegate or sub-delegate to a staff member any power conferred on the Municipal Manager in terms of the MFMA and the Supply Chain Management Regulations relating to supply chain management.

24. No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.

Competency

25. The Municipal Manager shall ensure that all persons involved in the implementation of this Policy meet the prescribed competency levels, and where necessary, shall provide relevant training.

26. The training of officials involved in implementing this Policy shall be in accordance with any National Treasury guidelines on supply chain management training.

Supply Chain Management Unit

27. Lekwa-Teemane Local Municipality has established a Supply Chain Management Unit to assist the Municipal Manager with the implement action of this Policy.

Communication with the Municipality

28. All correspondence with regard to this Policy shall be addressed to the Chief Financial Officer or Supply Chain Management Unit Manager

Availability of Supply Chain Management Policy

29. A copy of the Policy and other relevant documentation should be made available on the Municipality's website.

DEMAND MANAGEMENT SYSTEMS

Introduction

30. Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of the Municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the Municipality.
31. The Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.
32. In order to achieve effective demand management, the Manager: Demand and Acquisition shall continuously ensure:
 - 32.1 That efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of services to the communities.
 - 32.2 The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability.
 - 32.3 The development of a world-class professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.
 - 32.4 In dealing with suppliers and potential suppliers that the Municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

Major Activities

33. Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:
 - 33.1 establishing requirements;
 - 33.2 determining needs; and
 - 33.3 Deciding on appropriate procurement strategies.

34. Demand management accordingly shall involve the following activities:
 - 34.1 understanding the future needs;
 - 34.2 identifying critical delivery dates;
 - 34.3 identifying the frequency of the need;
 - 34.4 linking the requirement to the budget;
 - 34.5 conducting expenditure analyses based on past expenditure;
 - 34.6 determining requirements,
 - 34.7 conducting commodity analyses in order to check for alternatives; and
 - 34.8 Conducting industry analyses.

ACQUISITION MANAGEMENT SYSTEM

Introduction

35. The objectives of this acquisition management system are to ensure:
- 35.1 that goods and services and consultant services are procured by the Municipality only in accordance with the authorised procedures incorporated herein;
 - 35.2 that expenditure on goods and services and consultant services is incurred in terms of an approved budget;
 - 35.3 that the threshold values of the different procurement procedures are complied with;
 - 35.4 that bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act,
 - 35.5 That procurement guidelines issued by the National Treasury are taken into account.

General

Application

36. This acquisition management system contains the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts, and orders for the Municipality.

Central Supplier Database

37. The Municipal Manager shall ensure that the Lekwa-Teemane Local Municipality only do business with prospective service provider who are registered on the Central Supplier Database administered by National Treasury (If the service provider is not registered on the Central Supplier Database SCM Unit should register the Service provider on the Municipal Database).
38. Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time. The database of prospective suppliers will be in use until registration on the central database registration of suppliers becomes effective for municipalities.

39. The listing criteria for accredited prospective providers are:
- Supplier information i.e. supply type, identification number, supplier name, trading name and country of origin
 - Supplier contact i.e. preferred contact person, preferred communication method, email address, cell phone number, telephone number, etc
 - Supplier address i.e. country, province, municipality, city, suburb, ward and postal address
 - Bank account information
 - Supplier tax information
 - Ownership information, i.e. name and identification number of directors, members, etc;
 - Association to any other supplier, branch, consortium members, etc
 - Commodities the supplier can supply
40. The municipality shall not do a business with any prospective supplier whose name appears on the National Treasury central database as a person is prohibited from doing business with the public sector.
41. With effective from **01 July 2016**, Lekwa-Teemane Local Municipality will only do business with any prospective service provider (**SME's**) upon proof of registration on the Central Database by means of supplier number starting letter (MAAA).
42. The supplier number will assist the municipality in validating the following;
- 42.1 Confirmation and status of Business Registration Documents.
 - 42.2 Proof of Bank account registration.
 - 42.3 Tax compliance status.
 - 42.4 Employee in the service of state but only limited to persal system.
 - 42.5 Identity documentation.
 - 42.6 Tenders defaulters and registration status.
 - 42.7 The following information cannot be validated on the following Central supplier database;
 - 42.7.1 BBBEE status
 - 42.7.2 CIDB status
 - 42.7.3 Municipal accountant's status.

43. All parties to a Joint Venture must comply with the requirements of clauses 41 and 42 above.

Combating Abuse of the Supply Chain Management Policy

44. The Municipal Manager shall be entitled to take all reasonable steps to prevent abuse of the supply chain management system and to investigate any allegations against an official, or other role player, of fraud, corruption, favouritism, unfair, irregular or unlawful practices or failure to comply with the supply chain management system and when justified in terms of administrative law:

44.1 shall take appropriate steps against such official or other role player; or

44.2 shall report any alleged criminal conduct to the South African Police Service;

44.3 may reject a recommendation for the award of a contract if the recommended bidder or person submitting a quote, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

44.4 may invalidate recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by:

44.4.1 councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors in schedule 1 of the Systems Act; or

44.4.2 Municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in schedule 2 of the Systems Act.

44.5 may cancel a contract awarded to a person if:

44.5.1 the person committed a corrupt or fraudulent act during the procurement process or the execution of the contract; or

44.5.2 an official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person.

45. The Municipal Manager may reject the bid or quote of any person if that person or any of its directors has:

- 45.1 failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges as are in arrears for more than three months (90 days);
 - 45.2 failed, during the last five years, to perform satisfactorily on a previous contract with the Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
 - 45.3 abused the supply chain management system of the Municipality or has committed any improper conduct in relation to this system;
 - 45.4 been convicted of fraud or corruption during the past five years;
 - 45.5 willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - 45.6 been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004 or has been listed on National Treasury's database as a person prohibited from doing business with the public sector.
46. The Municipal Manager shall inform the Provincial Treasury of any actions taken in terms of clauses 44 to 45 above.

Appointment of Observer

47. Where appropriate, the Municipal Manager may appoint a neutral or independent observer in order to ensure fairness and transparency in the application of this acquisition management system.

Contracts Having Budgetary Implications beyond Three Financial Years

48. The Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of section 33 of the Municipal Finance Management Act have been fully complied with.

Proudly South African Campaign

49. The Municipality supports the Proudly South African Campaign and may identify, as a specific goal the promotion of South African owned enterprises. Refer to clauses 383 and 384.

Specialised Forms of Procurement

Acquisition of Goods or Services from other Organs of State or Public Entities

50. In the case of goods or services procured from another organ of state or public entity (including the Department of Water Affairs, Eskom or any other such entities), such procurement shall be made public, giving details of the nature of the goods or services to be procured and the name/s of the supplier/s.

Acquisition of Goods and Services under Contracts secured by other Organs of State (Regulation 32 of the SCM regulations)

51. The Municipal Manager may procure goods or services under a contract secured by another organ of state, but only if:
- 51.1 the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - 51.2 the municipality or entity has no reason to believe that such contract was not validly procured;
 - 51.3 there are demonstrable discounts or benefits for the municipality or entity to do so; and
 - 51.4 That other organ of state and the provider have consented to such procurement in writing.

Acquisition of Banking Services

52. Subject to section 33 of the Municipal Finance Management Act, any contract for the provision of banking services:
- 52.1 shall be procured through a competitive bidding process;
 - 52.2 shall be consistent with section 7 of the Municipal Finance Management Act; and
 - 52.3 May not be for a period longer than five years.
53. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
54. The closure date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in a newspapers commonly circulating locally.
55. Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

Acquisition of IT Related Goods or Services

56. If the transaction value of IT related goods or services exceeds R50 million in any financial year, or if the transaction value of a single contract (whether for one or more years) exceeds R50 million, the Municipal Manager must notify the State Information Technology Agency (SITA) together with a motivation of the IT needs of the Municipality.

If SITA comments on the submission and the Municipality disagrees with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the Provincial and National Treasury, and the Auditor General prior to awarding the bid.

57. Notwithstanding the above, the Municipal Manager may request the SITA to assist with the acquisition of IT related goods or services in which case the parties must enter into a written agreement to regulate the services provided by, and the payments to be made to, the SITA.

Acquisition of Goods Necessitating Special Safety Arrangements

59. Goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired in excess of immediate requirements unless there is sound financial justification therefor.

Where the storage of goods, other than water in bulk is justified, the Municipal Manager may authorize such storage and the decision must be based on sound reason including total cost of ownership and cost advantages for the Municipality.

Public-Private Partnerships

61. Part 2 of chapter 11 of the MFMA applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will have multi-year budgetary implications for the Municipality within the meaning of that section.

Publications in Newspapers

62. In respect of any contract relating to the publication of official and legal notices and advertisements in the press by or on behalf of the Municipality, there is no requirement for a competitive bidding process to be followed.

Community Based Vendors

63. The Manager: Demand and Acquisition may request quotations directly from community vendors registered in central suppliers database in a specific area or from a specific community for the procurement of goods and services for amounts less than R30 000 .

Range of Procurement Processes

64. Goods and services and consultant services shall be procured through the range of procurement processes set out below.

Competitive Bids

65. Where the estimated transaction value exceeds R200 000 (VAT inclusive), or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

Term Bids

66. For the supply of goods and services or consultants that is of an ad-hoc or repetitive nature for a predetermined period of time.

Formal Written Price Quotations/7 Days advert

67. Where the estimated transaction value exceeds R30 001 (VAT inclusive) and is less than or equal to R200 000 (VAT inclusive).

Written Price Quotations

68. Where the estimated transaction value exceeds R2 000 (VAT inclusive) and is less than or equal to R30 000 (VAT inclusive).

Verbal Quotations

69. Verbal quotations are only accepted for Petty cash purchase up to R2 000.00 (VAT inclusive).

Procurement of Consulting Services

70. Where the estimated value of fees exceeds R200 000 (VAT inclusive) or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.
71. Where the estimated value of fees is less than or equal to R200 000 (VAT inclusive) and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.

Reduction in Threshold Values

72. The Municipal Manager may:
- 72.1 lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or
 - 72.2 direct that:

- 72.2.1 written quotations be obtained for any specific procurement of a transaction value lower than R2 000;
- 72.2.2 formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000; or
- 72.2.3 a competitive bidding process be followed for any specific procurement of a transaction value more than R200 000.

General Conditions Applicable to Bids and Quotations

73. The Municipality shall not consider a bid or quote unless the bidder who submitted the bid or quote:

73.1 has furnished the Municipality with that bidder's:

- 73.1.1 full name;
- 73.1.2 identification number or company or other registration number; and
- 73.1.3 tax reference number; and
- 73.1.4 VAT registration number, if any;
- 73.1.5 certificate of attendance at a compulsory site inspection, where applicable;
- 73.1.6 Proof of residence of the directors of the company and that of the company premises
- 73.1.7 Proof of payment of municipal services for the directors of the company and company premises
- 73.1.8 Certified ID copies of the directors of the company

73.2 has submitted an original and valid tax clearance certificate certifying that the provider's tax matters are in order; and

73.3 has indicated whether:

- 73.3.1 the provider is in the service of the state, or has been in the service of the state in the previous twelve months;
- 73.3.2 if the provider is not a natural person, whether any of the directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in

the service of the state in the previous twelve months; or

73.3.3 whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-clause 73.3.2 is in the service of the state, or has been in the service of the state in the previous twelve months.

74. Irrespective of the procurement process, the Municipality may not make any award above **R15 000**, to a person whose tax matters have not been declared by the SARS to be in order (Circular 90 – also states that the service provider should be notified if they are not tax compliant and requested that within 7 working days submit proof of the complaint status).
75. Before making an award the municipality must check if the person's tax matters are in order through validation on the Central Supplier Database.

76. Irrespective of the procurement process followed, the Municipality is prohibited from making an award to a person:
- 76.1 who is in the service of the state;
 - 76.2 if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder is in the service of the state; or
 - 76.3 who is an advisor or consultant contracted with the Municipality (refer to clause 95 in this regard).
77. The Municipal Manager shall ensure that the notes to the annual financial statements of the Municipality disclose particulars of any award above R2000 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous twelve months, including:
- 77.1 the name of the person;
 - 77.2 the capacity in which the person is in the service of the state: and
 - 77.3 the amount of the award.

Competitive Bids

General

78. Competitive bids must be called for any procurement of goods or services, , or consultant services above a transaction value of R200 000 (VAT inclusive), or for any contract exceeding one year in duration.
79. Goods or services or consultant services may not be split into parts or items of lesser value merely to avoid complying with the requirements relating to competitive bids.
80. When determining transaction values, a requirement for goods or services or consultant services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

Bid Specifications

81. Bid specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.
82. Bid specifications must take account of any accepted standards such as those issued by South African National Standards, the International Standards Organisation, or any authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.
83. Bid specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
84. Bid specifications 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.
85. Bid specifications may not make any 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 words "or equivalent".
86. Bid specifications and/or bid documentation must indicate each specific goal for which adjudication points may be awarded.

Bid specifications and/or bid documentation must be approved by the Municipal Manager or his delegated authority prior to publication of the invitation for bids.
87. Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.

Bid Specification Committee

89. All bid specifications and bid documentation must be compiled by an ad-hoc bid specification committee constituted for each project or procurement activity.

The Bid Specification Committee shall be comprised of at least three Municipality officials, an appointed Chairperson, a responsible official and at least one Supply Chain Management Practitioner of the Municipality.
90. Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.

91. Green procurement must be incorporated as far as reasonable possible, for all specifications of goods, services
92. In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.
93. The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Specification Committees.
94. No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.
95. Bid Specification Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings, and the following are the functions of the Bid Specification Committee:

Compilation of Bid Documentation

96. If the bid relates to construction works as contemplated by the Construction Industry Development Board Act, then the requirements of that Act must be taken into account in the bid documentation, as per Part B of the Supply Chain Management policy. General conditions of contract and supply chain management guidelines of the National Treasury in respect of goods and services must be taken into account when compiling bid documents.
97. Bid documentation must clearly indicate the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory.
98. An appropriate contract and/or delivery period must be specified for all contracts.
99. The requirements of the preferential procurement section of this Policy must be clearly set out in the bid documentation.
100. The bid documentation and evaluation criteria shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this Policy.
101. The bid documentation must require a bidder to furnish the following:
 - 101.1 the bidders full name;
 - 101.2 the identification number or company or other registration number;

101.3 the bidders tax reference number and VAT registration number, if any; and

101.4 an original valid tax clearance from the South African Revenue Services stating that the bidders tax matters are in order.

103.5 The following as the functions of the BSC

- 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 (SABS), the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- e) may not make reference to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";
- f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2011 (Lekwa-Teemane Local Municipality: Approved Preference Points System – Appendix A); and
- g) must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

102. Bid documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or, where unsuccessful, in a court of South African law.

103. A provision for the termination/cancellation of the contract in the case of non- or under-performance must be included in the bid documentation.

104. Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred in the preparation and/or submission of a bid.

105. Bid documentation must state that the Municipality shall not be obliged to accept the lowest bid, any alternative bid or any bid.

106. Unless the Municipal Manager otherwise directs bids are invited in the Republic only.

107. Laws of the Republic shall govern contracts arising from the acceptance of bids.

108. Bid documentation must compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.

109. The bid documentation must require bidders to disclose:
- 109.1 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;
 - 109.2 if the bidder 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
 - 109.3 Whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-clause 111.2 is in the service of the state, or has been in the service of the state in the previous twelve months.
- 110 Bid documentation for consultant services must require bidders to furnish the Municipality with particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last five years.
- 111 Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by the Municipality, shall vest in the Municipality.

Bids exceeding R10 million

112. The estimated value of the transaction exceeds R10 million, the bid documentation must require the bidders to furnish:
- 112.1 if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements -
 - 112.1.1 for the past three years, or
 - 112.1.2 since their establishment if established during the past three years,
- 113 a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days,

114. 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, and
115. a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from the Municipality is expected to be transferred out of the Republic.

Alternative Bids

116. Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
117. An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked "Alternative Bid" to distinguish it from the unqualified bid referred to above.
118. Bid documentation shall state that the Municipality will not be bound to consider alternative bids.

Public Invitation for Competitive Bids

119. On completion of the bid specification and bid document processes the Municipality shall publicly invite bids.
120. Bid invitation shall be by notice published in the press, in newspapers circulating in the Lekwa-Teemane Local Municipality area, in English /Tswana/ Afrikaans and on the Municipality's official website and by notice published in government printing works website, in the press
- 1) The information contained in a public advertisement, must include:
 - 2) The closure date for the submission of bids, which may not be less than 30 days in the case of transaction over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
 - 3) a statement that bids may only be submitted on the bid documentation provided by the Lekwa-Teemane Local Municipality; and
 - 4) The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
121. The bid notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the Municipal Manager.
122. The collection of bid documents requires and non-refundable tender fee adopted by council.
123. The public notice contemplated by clause 119 above shall specify:

- a. the title of the proposed contract and the bid or contract reference number;
- b. such particulars of the contract as the Municipality deems fit;
- c. the date, time and location of any site inspection, if applicable;
- d. the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
- e. that bids may only be submitted on the bid documentation provided by the Municipality;
- f. the deposit payable, if any;
- g. the place where bids must be submitted;
- h. the closing date and time for submission of bids; and
- i. the required CIDB contractor grading for construction work, as per part B of the policy

124. The bid notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.

125. Bid documentation shall be available for collection until the closing date of bids.

Issuing of Bid Documents

126. Bid documents and any subsequent notices may only be issued by officials designated by the Manager: Demand and Acquisition from time to time.

127. Details of all prospective bidders who have been issued with bid documents must be recorded directly by the municipality by the issuing office but shall remain **confidential** for the duration of the bid period.

128. Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

Site Inspections

129. In general, site inspections, where applicable will not be compulsory. In exceptional circumstances however, a site inspection may be made compulsory with the approval of the Manager: Demand and Acquisition, provided that the minimum bid period is extended by at least 7 (seven) days (Refer to clauses 156 to 158 in this regard).

130. If site inspections are to be held, full details must be included in the bid notice,

including whether or not the site inspection is compulsory.

131. Where site inspections are made compulsory, the date for the site inspection shall be at least 7 (seven) days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.
132. If at a site meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with clauses 163 to 165 of this Policy.

Two-stage (Prequalification) Bidding Process

133. In a two-stage (prequalification) bidding process, bidders are first invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.
134. In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
135. This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding three years.
136. The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids (clauses 118 to 124 refer).
137. Once bidders have pre-qualified for a particular project, they shall be given not less than 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.

Two Envelope Systems

138. A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated (clauses 184 to 189 refer).

Validity Periods

139. The period for which bids are to remain valid and binding must be indicated in the bid documents.
140. The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.

141. This period of validity may be extended by the Chairperson of the Bid Evaluation Committee, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing.
142. Bidders who fail to respond to such a request before their tender lapses, or who decline such a request shall not be considered further in the bid evaluation process.
143. The responsible official must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the appeal period or until the appeal is finalized. If bidders are requested to extend the validity period of their bids as a result of an appeal being lodged it must be made clear to bidders that this is the reason for the request.
144. The tender validity period is 90 days from the closing date of bids

Contract Price Adjustment

143. For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents.
144. In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.
145. However, if as a result of any extension of time granted, the duration of a fixed price contract exceeds one year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.
146. Notwithstanding clause 144, if the bid validity period is extended, then contract price adjustment may be applied.

Contracts providing for Compensation Based on Turnover

147. If a service provider acts on behalf of the Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate;
 - 147.1 a cap on the compensation payable to the service provider; and
 - 147.2 that such compensation must be performance based.

Provisional Sums and Prime Cost Items

148. If monetary allowances in excess of R200 000 for provisional sums or prime

cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then a competitive bidding process, as determined by the Assistant Director: Supply Chain Management from time to time, shall be followed in respect of these sums/items.

149. When monetary allowances of less than R200 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for approval by the responsible agent.

Samples

150. Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents.
151. Bids may not be included in parcels containing samples.
152. If samples are not submitted as required in the bid documents or within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.
153. Samples shall be supplied by a bidder at his/her own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.
154. If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

Closing of Bids

155. Bids shall close on the date and at the time stipulated in the bid notice.
156. For bids for goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.
157. For construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.
158. Notwithstanding the above, if the estimated contract value Exceeds

R10 million (VAT included), or if the contract is of a long term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.

159. For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
160. For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.
161. The bid closing date may be extended by the Municipal Manager if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the Municipal Manager, and a notice to all bidders to this effect shall be issued.
162. The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 156 to 160 above, 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.

Communication with bidders before bid closing

163. The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing.
164. Such communication shall be in the form of a notice issued to all bidders by the Manager: Demand and Acquisition by either e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible.
165. Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in clause 164 have been complied with.

Submission of Bids

166. Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.
167. The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.

168. The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
169. Postal bids will not be accepted for consideration.
170. No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.
171. Electronic bids will not be accepted.
172. The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
173. No person may amend or tamper with any bids or quotations after their submission.

Late Bids

174. A bid is late if it is not placed in the relevant bid box by the closing time for such bid.
175. A late bid shall not be admitted for consideration and where feasible shall be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

Opening of Bids

176. At the specified closing time on the closing date the applicable bid box shall be closed.
177. The bid box shall be opened in public by 3 municipal officials as soon as practical after the closing.
178. Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.
179. The official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.
180. As soon as a bid or technical proposal has been opened:
 - 180.1 the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;
 - 180.2 the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and

180.3 The responsible official who opened the bid shall forthwith place his/her signature on the bid opening record, and in all documents that must be compulsory submitted by bidders.

181 Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open (in which case the Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box). A record of all bids placed in an incorrect box shall be kept.

182 Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained. If the bid was in the correct bid box it will be read out. If the bid is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open. If the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box. The Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

Opening of Bids where a Two Envelope System (consisting of a technical proposal and a financial proposal) is followed

183. If a two envelope system is followed, only the technical proposal will be opened at the bid opening.

184. The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.

185. When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses 180 and 181.

186. All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.

187. Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard (clause 228 refers).

188. After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.

Invalid Bids

189. Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the responsible official appointed by the Assistant Director : Supply Chain Management to open the bid, in the following

instances:

- 189.1 If the bid is not sealed;
 - 189.2 the bid, including the bid price/tendered amount, where applicable is not submitted on the official Form of Bid/Offer;
 - 189.3 if the bid is not completed in non-erasable ink;
 - 189.4 if the Form of Bid/Offer has not been signed;
 - 189.5 if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
 - 189.6 if in a two envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
- 190 When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

Bid Sum

- 191. A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.
- 192. All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

Bid Evaluation

General

- 193. The Municipality shall not be obliged to accept any bid.
- 194. For goods and services bids, the Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.

Bid Evaluation Committee

- 195. An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.
- 196. The Bid Evaluation Committee shall be comprised of at least three Municipality officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one Supply Chain Management Practitioner of the Municipality.

197. Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary. External specialists/experts may advise the Bid Evaluation Committee, as required.
198. The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Evaluation Committees.
199. Bid Evaluation Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

Bid Evaluation

200. The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.
201. Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:
 - 201.1 bid does not comply with the provisions for combating abuse of this Policy;
 - 201.2 whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
 - 201.3 whose bid is not in compliance with the specification;
 - 201.4 whose bid does meet the minimum score for functionality, if applicable;
 - 201.5 whose bid price is lower and more than the -10 and +10 upper limits;
 - 201.6 whose bid is not in compliance with the terms and conditions of the bid documentation;
 - 201.7 whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this Policy;
 - 201.8 Who is not registered and verified on the Municipality's supplier database. In this regard bid documentation shall state that the responsibility for registration and verification rests solely with the bidder;
 - 201.9 who, in the case of construction works acquisitions, does not comply

with the requirements of the Construction Industry Development Board Act regarding registration of contractors;

201.10 who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and

201.11 Who fails to comply with any applicable Bargaining Council agreements?

202. Bids shall be evaluated according to the following as applicable:
- 202.1 bid price (corrected if applicable and brought to a comparative level where necessary),
 - 202.2 the unit rates and prices,
 - 202.3 the bidder's ability to execute the contract,
 - 202.4 any qualifications to the bid,
 - 202.5 the bid ranking obtained in respect of preferential procurement as required by this Policy,
 - 202.6 the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
 - 202.7 any other criteria specified in the bid documents.
- 203 No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document.
- 204 The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- 205 Additional information or clarification of bids may be called for if required but only in writing.
- 206 Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The Municipality shall not be bound to consider alternative bids.
207. If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the Bid Adjudication Committee.
208. The bidder obtaining the highest number of points should be recommended for acceptance unless there are reasonable and justifiable grounds to recommend another bidder.
209. If, after bids have been brought to a comparative level, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
210. If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately,

where applicable.

211. All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

Recommendation to Bid Adjudication Committee

212. The Bid Evaluation Committee shall, having considered the Responsible Agent's draft report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

Bid Adjudication

Bid Adjudication Committee

213. The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:
 - 213.1 the Chief Financial Officer or a Manager designated by the Chief Financial Officer;
 - 213.2 at least one senior supply chain management practitioner of the Municipality; and
 - 213.3 a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.
214. The Municipal Manager shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.
215. Neither a member of a Bid Evaluation Committee, nor an advisor or person assisting in the evaluation committee, may be a member of a Bid Adjudication Committee.

Adjudication and Award

216. The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Municipal Manager on how to proceed with the relevant procurement.
217. The Bid Adjudication Committee may make an award to a preferred bidder, subject to the Municipal Manager negotiating with the preferred bidder in terms of clause 231 of this Policy.
218. The Municipal Manager may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee

back to that committee for reconsideration of the recommendation.

Approval of Bid not Recommended

219. If a 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:

219.1 check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;

219.2 check in respect of the preferred bidder that it has the resources and skills required to fulfil its obligations in terms of the bid document.

219.3 notify the Municipal Manager.

220 The Municipal Manager may:

0 after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in clause 220 above.

1 If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.

221. If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Municipal Manager must, in writing and within ten working days, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

222. The requirement of clause 220.3 does not apply if a different bid was approved in order to rectify an irregularity.*Reconsideration of Recommendations*

223. The Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.

Right of Appeal

224. In terms of Section 62 of the Systems Act, a person whose rights are affected by a decision taken by the Municipality, in terms of a delegated authority, in the implementation of its supply chain management system, may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of receipt of the notification of the decision.

225. Tender documents must state that any appeal in terms of clause 225 must be

submitted to the Municipal Manager at the address stated, and must contain the following:

- 1 reasons and/or grounds for the appeal;
- 2 the way in which the appellants rights have been affected; and
- 3 the remedy sought by the appellant.

226. No tender shall be formally accepted until either the expiry of the 21 day appeal period, or confirmation in writing before the expiry of the 21 day appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.

Notification of Decision

227. If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of this decision.

228. The successful bidder shall, in addition, be advised of the 21 day appeal period, and be notified that no rights accrue to him/her until the tender is formally accepted in writing.

229. Every notification of decision shall be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification and kept for record purposes.

Negotiations with Preferred Bidders

230. The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:

230.1 does not allow any preferred bidder a second or unfair opportunity;

230.2 is not to the detriment of any other bidder; and

230.3 Does not lead to a higher price than the bid as submitted.

231 Minutes of such negotiations must be kept for record purposes.

Cancellation of Bids

232. If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision.
233. If bids have been cancelled, then all bidders must be notified in writing.
234. It is not necessary to notify original bidders when calling for new bids, which will be advertised in accordance with clause 119.
235. No bid may be re-advertised before the expiry of the validity period of the original bid, or any extended validity period.
236. Notwithstanding clause 236, where no valid bids are received or where all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may be re-advertised forthwith.
237. In the case of bids for construction related works, and where the Bid Adjudication Committee resolved that there were no responsive tenders received, then the bid may be re-advertised forthwith.

Increase in Contract Period or Contract Sum

238. Any increase in the contract period (in respect of term bids) or contract sum (in respect of one-off contracts) that may become necessary as a result of exceptional circumstances, or which are considered to be in the public's interest, may be approved by the Bid Adjudication Committee. Such approval must be obtained prior to the contract period expiring or contract sum being exceeded.
239. Where community participation has been a part of the contract, the community must be advised of the proposed increase and be invited to provide written comment.
240. Any unapproved increases in the contract sum or contract period that have become necessary as a result of exceptional circumstances, or which have been considered to be in the public's interest, must be explained in a report to the Bid Adjudication Committee requesting condonation and approval for such unapproved increase.

Term Bids

General

241. It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predetermined period of time (commonly referred to as a term bid).
242. The general acquisition procedure for term bids shall comply with procedures contained in the acquisition management system for competitive bids.
243. Bid documentation, where applicable, shall state that the acceptance of term bids based on a schedule of rates will not necessarily guarantee the bidder any business with the Municipality.

244. The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.
245. Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.
246. Additional items included in a term bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.

Evaluation and Adjudication of Term Bids

247. The process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.
248. Subsequent to award, where different selections of items are required in terms of the same term bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then a selection process will have to be carried out in respect of each application by the Responsible Agent. Individual orders will then be placed (or contracts awarded) on the basis of the highest total evaluation points received, per application.
249. . If the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing then the bidder with the next highest evaluation points shall be selected. If after a contract is awarded, or an order is placed in terms of a term bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

Formal Written Price Quotations

General

250. Where the Municipality intends to enter into any contact which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R30 000 and up to R200 000 (VAT inclusive), then a minimum of three written quotes shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are registered and verified on the Municipality's supplier database. Ongoing competition amongst providers shall be promoted, including by inviting providers to submit quotations on a rotational basis. Quotations may be obtained from providers who are not listed on the Municipality's supplier database, provided that such providers must meet the listing criteria referred to in this Policy.
251. Any request for a formal written quotation which is likely to be in excess of R30 000 must be advertised for at least 7 (seven) days on the Municipality's official website and an official notice board as applicable.
252. Notwithstanding clause 251, if quotations have been invited on the Municipality's official website, no additional quotes need to be obtained should the number of responses be less than three.

253. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Chief Financial Officer
254. The names of the potential providers and their written quotations must be recorded.
255. The practice of breaking out (parceling) projects in order to circumvent the competitive bid process is not permissible.

Quotation Documentation

256. All quotation documentation, where practicable, shall comply with the requirements of bid documentation contained in the acquisition management system for competitive bids.

Validity Periods

257. The provisions of clauses 138 to 141 of this Policy shall apply *mutatis mutandis* with regard to quotations.

Quotation Prices

258. In general, all quotations should be submitted on a fixed price basis (not subject to contract price adjustment). Only in exceptional circumstances may contract price adjustment be applied.
259. Notwithstanding clause 259 above, if the quotation validity period is extended, then contract price adjustment may be applied on a proven, fair and reasonable basis.

Submission of Documentation

260. Quotation documents issued by the Municipality shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.
261. No quotations submitted after any stipulated closing date and time shall be considered.

Opening of Quotations (where lodged in a quotation box)

262. The provisions of clauses 177 to 183 of this Policy shall apply with regard to quotations that are required to be lodged in a quotation box, with the exception of clause 182 where, with respect to quotations, the Municipality disclaims any responsibility for seeing that the quotations are lodged in the correct quotation box. Quotations found in the incorrect box shall be declared invalid and will not be considered.

Consideration and Acceptance of Quotations

263. All orders in respect of formal written price quotations shall be approved and released by the Municipal Manager or his delegated authority.

Written Price Quotations

General

264. Where the Municipality intends to procure any goods or services, which involves a transaction value of up to R30 000 (VAT inclusive), written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the supplier database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy. Ongoing competition amongst providers shall be promoted, including by inviting providers to submit quotations on a rotational basis except for petty cash purchases.
265. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Chief Financial Officer.
266. The names of the potential providers requested to provide quotations and their written quotations must be recorded.
267. The practice of breaking out (parceling) purchases in order to circumvent the formal written price quotation process is not permissible.
268. All orders in respect of written price quotations shall be approved and released by the Municipal Manager, or his delegated authority.

Petty Cash Purchases (If applicable)

General

269. Where there is a need to purchase any goods or services using a petty cash system, which involves a transaction value up to R2 000.00 (VAT inclusive), the Municipality's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.
270. The delegated official responsible for petty cash must compile monthly reconciliation report for the Chief Financial Officer, which must include the total amount of petty cash purchases for that month and receipts and appropriate documents for each purchase.
271. The practice of breaking out (parceling) purchases in order to circumvent the formal written price quotation and written price quotation processes is not permissible.

Appointment of Consultants

General

272. In the procurement of consulting services cognisance should be taken of any National Treasury guidelines in this respect or of Construction Industry Development Board Guidelines in respect of services relating to the built environment and construction works.

Procurement Process (over R200 000)

273. Where the estimated value of the fees exceeds R200 000 (VAT inclusive), or where the duration of the appointment will exceed one year, consulting services shall be procured through a competitive bidding process.
274. The practice of breaking out (parceling) consultant appointments in order to circumvent the competitive bidding process is not permitted.

Procurement Process (up to R200 000)

275. Where the estimated value of the fees is less than or equal to R200 000 (VAT inclusive) and the duration of the appointment is less than one year, the selection of a consultant to provide the required service shall follow a written price quotation or a formal written price quotation procedure as described in this Policy.
276. Responsible agents must endeavor to ensure that there is rotation in respect of inviting suitably qualified consultants to quote.
277. A price/preference points system, as described in the preferential procurement section of this Policy, must be applied to such quotations.
278. Where it is in the interests of the Municipality to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed.

Single-source Selection

279. National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of the Municipality and the project.
280. Single-source selection may be appropriate only if it presents a clear advantage over competition:
- 281.1 for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
 - 281.2 where rapid selection is essential;
 - 281.3 for very small appointments;

281.4 When only one consultant is qualified, or has experience of exceptional worth for the project.

281. The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 (VAT inclusive) or less, such award shall be approved by the Director : Supply Chain Management.

Deviation from the Procurement Processes

General

282. The Municipal Manager may 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 negotiation, but only in respect of:

- i. any contract relating to an emergency (as described in clauses 285 and 286 below) where it would not be in the interests of the Municipality to invite bids,
- ii. any goods or services which are available from a single provider only,
- iii. the acquisition of animals for zoos, or
- iv. the acquisition of special works of art or historical objects where specifications are difficult to compile;
- v. any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:
- vi. any purchase on behalf of the Municipality at a public auction sale;
- vii. any contract in respect of which compliance therewith would not be in the public interest;
- viii. ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and
- ix. Any contract in respect to accommodation, travel agencies and courier services.

- x. any acquisition in respect of show stalls.

The following will also be deemed not to be deviation from SCM processes:

- xi. Advertisement that are placed in National Government and Provincial Government Gazettes
- xii. The acquisition of accommodation and air travel for official purposes
- xiii. The procurement of fuel from any recognized fuel company and their depots, except where fuel is procured by the municipal depot
- xiv. Vehicles serviced by the agents in terms of the warranty or service plan of the vehicle as well as any repairs or maintenance that is identified when the vehicle is serviced by the agent in terms of the warranty or service plan of the vehicle
- xv. The acquisition of services of medical specialist as may be required from time to time and in terms of the Pension Fund Amendment Act, Act 65 of 2001 and related regulations and amendments
- xvi. Any machinery or equipment serviced by the agent in terms of the warranty or service plan of that machinery or equipment
- xvii. Training, courses, seminars and or workshops advertised by a professional institution related to local government
- xviii. The use of restaurants for special functions where quotations cannot be obtained
- xix. The procurement of newspapers for municipal libraries and other municipal offices
- xx. The acquisition of driving licenses from the service provider official appointed by the National Department of Transport to

issue such cards

xxi. Pauper, burials and cremations

xxii. The acquisition of specialized services of attorneys, advocates and labour relations practitioners thereto that the acquisition of such services be dealt with in terms of the municipal delegation of powers and duties as amended from time to time and by bargaining council agreements on disciplinary procedures

283. The Municipal Manager may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to in clause 283.

Emergency Dispensation

284. The conditions warranting Emergency dispensation should include the existence of one or more of the following:

- a. the possibility of human injury or death;
- b. the prevalence of human suffering or deprivation of rights;
- c. the possibility of damage to property, or suffering and death of livestock and animals;
- d. the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
- e. the possibility of serious damage occurring to the natural environment;
- f. the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and
- g. the possibility that the security of the state could be compromised.

286. The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.

287. Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Municipal Manager for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the Municipal Manager as soon as possible

thereafter.

Unsolicited Bids

- 288 The Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process.
289. The Municipality may only consider an unsolicited bid if the following have been complied with:
- a. the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - b. the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, the Municipality;
 - c. the person or entity that made the bid is the sole provider of the product or service; and
 - d. the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager. In this regard a report must be submitted to the Municipal Manager seeking approval to take the unsolicited bid process further.
290. If the Municipal Manager considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with section 21A of the Systems Act together with:
- 290.1 reasons as to why the bid should not be open to other competitors;
 - 290.2 an explanation of the potential benefits for the Municipality were it to accept the unsolicited bid; and
 - 290.3 an invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.
291. Details of the unsolicited bid, together with any written comments received pursuant to clause 290.3 as well as any responses from the bidder, shall be submitted to the provincial and National Treasury for comment.
292. The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and any written comments or recommendations of the provincial or National Treasury, for consideration.
293. The Bid Adjudication Committee may award the bid in respect of any amount.
294. Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.
295. If any recommendations of the Provincial or National Treasury are rejected or not followed, the Municipal Manager shall submit to the Auditor-General, the

Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission shall be made within 7 (seven) days of the decision to award the unsolicited bid. No contract committing the Municipality to the bid may be entered into or signed within 30 (thirty) days of the submission.

Ratification of Minor Breaches of the Bid Processes

296. The Municipal Manager may ratify any minor breaches of the procurement processes, which are purely of a technical nature, by an official or committee acting in terms of delegated powers or duties.

Condonation of Expenditure

297. The Municipal Manager may, upon recommendation of the Bid Adjudication Committee, condone any expenditure incurred in contravention of, or that is not in accordance with, a requirement of this Policy. This power may not be sub-delegated by the Municipal Manager. Such condonation shall not preclude the taking of disciplinary steps against the responsible official.

298. In the event where the Municipal Manager refuses to condone any expenditure referred to in clause 297 such expenditure will be deemed to be either unauthorised, irregular or fruitless and wasteful expenditure as defined in section 1 of the MFMA and will be treated by the Municipal Manager in accordance with the relevant provisions of the MFMA.

Obligation to Report

299. The reasons for all deviations shall be recorded and reported by the Municipal Manager to Council at the next Council meeting, and shall be included as a note to the annual financial statements.

LOGISTICS MANAGEMENT SYSTEM

Introduction

300. Logistics management must provide for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, and maintenance and contract administration.

Setting of Inventory Levels

301. Stock items shall be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.

302. Open reservations shall be taken into account during the replenishment run.

Placing of Orders

303. Purchase orders will be created with reference to requisitions where the supply source is contract or quotations (where sourcing had to take place).
304. All purchase orders which are for imported goods and which are subject to rate and exchange adjustments must specify that the vendor must take out a forward exchange contract in order to fix the Rand based price in the purchase order.
305. All purchase orders will be captured on the Promis system exclusive of VAT.
306. Standing orders (also known as “framework orders”) will be used in cases where a longer term arrangement, such as after hour services and copier contracts, are required.
307. Purchase order approvals will be systems based and will involve the procurement department only.
308. The assets section (for asset creation) and the transport section (for insurance claims) will be informed after the purchase order approval.

Receiving and Distribution of Goods

309. Goods will be received on the Municipality’s Promis system with reference to purchase orders.
310. No over receipt of stock will be allowed. Under receipts will keep the purchase order open for the outstanding delivery quantity.
311. Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centers, projects and assets under construction.

Stores and Warehouse Management

312. The stores and warehousing function shall be decentralised in different districts and will operate under the jurisdiction of the Supply Chain Management Unit.
313. The Supply Chain Management Unit must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

Expediting Orders

314. The purchasing expeditor will be required to monitor and expedite outstanding purchase orders.
315. Reminder letters can be faxed automatically to vendors based on the reminder levels (days before delivery due date) that are set in the purchase order.

Transport Management

316. The Municipality's fleet management policy must be adhered to at all times.

Vendor Performance

317. The SAP System will enable system-based evaluation based on the vendors' performance with regard to certain pre-determined criteria.
318. The information will be available for contract negotiations and regular feedback to the vendors.

Contract Management

Application

319. The contract management provisions below are applicable only to contracts for the provision of goods or services (excluding construction work contracts).

Competency

320. All contracts must be administered by an official(s) having the necessary competencies to ensure effective management of the contract.

Maintenance and Contract Administration

321. Contracts related to the procurement of goods and services will be captured on the Municipality's Promis system in the form of a price schedule.
322. Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts will be used.
323. The use of fixed price, fixed term contracts will be promoted and expenditure will be driven towards contracts versus once-off purchases. Consolidated (Municipality wide) procurement volumes have to drive down the negotiated contract prices.
324. Contract price adjustments shall be processed only in accordance with contract terms and conditions. Price adjustments shall be made on the procurement contract and any current purchase orders shall be changed to

reflect the new price.

Contract Administration

325. Contract administration is the last stage of the tendering and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.
326. The effectiveness of contract administration will depend on how thoroughly the earlier steps were completed. Changes can be made far more readily early in the tendering cycle than after contract management has commenced.
327. Some of the key early stages, which influence the effectiveness of contract administration, include:
 - 327.1 Defining the output, that is, writing specifications which identify what the aims and outputs of a contract will be;
 - 327.2 assessing risk;
 - 327.3 researching the market place (including conducting pre-tender briefings);
 - 327.4 formulating appropriate terms and conditions of contract;
 - 327.5 identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
 - 327.6 actively creating competition, so the best possible suppliers bid for contracts; and
 - 327.7 evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

Levels of Contract Administration

328. There are three levels of contract administration:
- 328.1 The first operational level is for standard contracts for goods and services. Day to day contract administration should become no more than a monitoring, record keeping and price adjustment authorisation role.
 - 328.2 The second or intermediate level is for more complex contracts for services. An example would be a contract to outsource cleaning services. This type of contract will require a more active role for the contract manager in developing the relationship between the Municipality and the contractor.
 - 328.3 The third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts need more active management of the business relationships between the supplier and the users, for example to manage outputs and not the process. Sufficient resources need to be dedicated by all parties to successfully manage these contractor relationships and, where feasible, to achieve partnership. A partnership is the result of mutual commitment to a continuing co-operative relationship, rather than parties working on a competitive and adversarial basis.

Appointing a Contract Manager

329. A contract manager should be appointed by the senior official in charge of the project prior to the execution of the contract.
330. Where it is practical to do so, the contract manager should be involved at the earliest stage of the acquisition, which is the time of writing the specification. Contract administration arrangements should be identified and planned including who, how, delegations, reporting requirements and relationships and specific task responsibilities.
331. Departments shall be responsible for ensuring that contract managers:
- 331.1 prepare the contract administration plan;
 - 331.2 monitor the performance of the contractor;
 - 331.3 are appointed with appropriate responsibility and accountability;
 - 331.4 are adequately trained so that they can perform and exercise the responsibility; and
 - 331.5 act with due care and diligence and observe all accounting and legal requirements.

Duties and Powers of Contract Manager

332. The contract manager's duties and powers shall be governed by the conditions of contract and the general law.
333. The contract manager shall also be required to form opinions and make decisions, and in doing so is expected to be even-handed and prudent.

Contract Guidelines

334. A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, shall be documented.
335. The following is not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks, or may not be necessary in some circumstances.

Delegating to Contract Administrator

336. Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.
337. The contract administrator would usually be required to perform duties related to processes for record keeping and authorising payment and collecting data on the contractor performance.
338. The contract manager will however remain ultimately responsible for the performance of the contract.

Contract Management Process

339. The contract manager shall ensure the contractor fulfils its obligations and accepts its liabilities under the contract and must also ensure the contractors are treated fairly and honestly.
340. Both parties adhering to the agreed terms will result in:
- 340.1 value for money;
 - 340.2 timeliness;
 - 340.3 cost effectiveness; and
 - 340.4 contract performance.

Document Retention

341. The need exists to retain documents on a contract file for information and audit purposes, and in order to comply with the requirements of the Records Office.
342. Proper records regarding all aspects of the contract must accordingly be maintained.

Guidelines on Contract Administration

343. The responsibilities of a contract manager may include the following:
 - a. establishing a contract management plan for the project;
 - b. reviewing the contract management process (including the plan) on a regular basis;
 - c. providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise;
 - d. monitoring the contractor's continuing performance against contract obligations;
 - e. providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;
 - f. determining if staged products should continue, and providing a procurement process for additional stages which meet the principle of obtaining value for money;
 - g. providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;
 - h. ensuring insurance policy(s) terms and conditions provide adequate protection for the Municipality and are maintained throughout the contract period;
 - i. ensuring all products provided are certified as meeting the specifications before the supplier is paid;
 - j. maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
 - k. managing contract change procedures;
 - l. resolving disputes as they arise;
 - m. conducting post contract reviews; and
 - n. pursuing remedies in the event of contract breach.

DISPOSAL MANAGEMENT SYSTEM

Goal

344. To give effect to:

344.1 Regulation 40 of the Supply Chain Management Regulations which requires an effective system for the disposal of letting of assets including unserviceable, redundant or obsolete assets, and

344.2 the Municipal Asset Transfer Regulations,

Subject to sections 14 and 90 of the Municipal Finance Management Act (MFMA) and any other applicable legislation

345. As far as possible, assets to be disposed of must be made available to recycling. Disposal to landfill is not allowed unless no recycling options are available.

Disposal Management System

346. Subject to the provisions of the Municipal Asset Transfer Regulations:

346.1 moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality;

346.2 immovable property may:

346.2.1 be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

346.2.2 let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

346.3 in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment;

346.4 in the case of fire arms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.

Transfer or Permanent Disposal of Assets and the Granting of Rights

347. Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations.
348. Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations.
349. The granting of rights (where sections 14 and 90 of the MFMA do not apply) by the Municipality, shall be executed strictly in accordance with Chapter 4 of the Municipal Asset Transfer Regulations.

RISK MANAGEMENT SYSTEM

The risks pertaining to Supply Chain Management should at all times comply with the criteria laid down in the risk management policies of the Municipality.

General

350. Risk Management shall provide for an effective system for the identification, consideration and avoidance of potential risks in the Municipality's supply chain management system.
351. Managing risk must be part of the Municipality's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.
352. Risk Management shall be an integral part of effective management practice.

The Risk Management Process

353. The risk management process shall be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.
354. Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.
355. Appropriate risk management conditions should therefore be incorporated in contracts.

Key Principles

356. The key principles on managing risk in supply chain management include:
 - 356.1 early and systematic identification of risk on a case-by-case basis, analysis and assessment of risks, including conflicts of interest and the development of plans for handling them;
 - 356.2 allocation and acceptance of responsibility to the party best placed to manage risk;
 - 356.3 management of risks in a pro-active manner and the provision of adequate cover for residual risks;
 - 356.4 assignment of relative risks to the contracting parties through clear and unambiguous contract documentation;
 - 356.5 acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it; and
357. Ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the Municipality's operations.

PERFORMANCE MANAGEMENT SYSTEM

The Municipal Manager must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorised Supply Chain Management processes were followed and whether the objectives of this Policy were achieved.

Performance management shall accordingly be characterised by a monitoring Process and retrospective analysis to determine whether:

- 0 value for money has been attained;
 - 1 proper processes have been followed;
 - 2 desired objectives have been achieved;
 - 3 there is an opportunity to improve the process;
 - 4 suppliers have been assessed and what that assessment is; and
 - 5 there has been deviation from procedures and, if so, what the reasons for that deviation are.
358. The performance management system shall accordingly focus on, amongst others:
- 358.1 achievement of goals;
 - 358.2 compliance to norms and standards;
 - 358.3 savings generated;
 - 358.4 cost variances per item;
 - 358.5 non-compliance with contractual conditions and requirements; and
 - 358.6 the cost efficiency of the procurement process itself.

CODE OF ETHICAL STANDARDS

General

359. In addition to this Code of Ethical Standards, the codes of conduct for municipal councillors and employees shall apply in the application of this Supply Chain Management Policy.
360. A code of ethical standards is hereby established for officials and all role players in the supply chain management system in order to promote:
- 360.1 mutual trust and respect; and
 - 360.2 an environment where business can be conducted with integrity and in a fair and reasonable manner.
361. An official or other role player involved in the implementation of the supply chain management policy:
- 361.1 must treat all providers and potential providers equitably;
 - 361.2 may not use his or her position for private gain or to improperly benefit another person;
 - 361.3 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;
 - 361.4 notwithstanding clause 361.3, must declare to the Municipal Manager 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;
 - 361.5 must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
 - 361.6 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;
 - 361.7 must be scrupulous in his or her use of property belonging to the Municipality;
 - 361.8 must assist the Municipal Manager in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system; and

- 361.9 must report to the Municipal Manager any alleged irregular conduct in the supply chain management system which that person may become aware of, including;
- 361.9.1 any alleged fraud, corruption, favoritism or unfair conduct;
 - 361.9.2 any alleged contravention of this policy; or
 - 361.9.3 any alleged breach of this code of ethical standards.
362. Declarations in terms of clause 361.5 must be recorded in a register which the Municipal Manager must keep for this purpose.
363. The Municipality has adopted the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. This code of conduct is binding on all officials and other role players involved in the implementation of the supply chain management policy.
364. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".
365. A breach of the code of conduct adopted will be dealt with in accordance with schedule 2 of the Systems Act.

Inducements, Rewards, Gifts and Favours

366. 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:
- 366.1 any inducement or reward to the Municipality for or in connection with the award of a contract; or
 - 366.2 any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the supply chain management policy.
367. The Municipal Manager must promptly report any alleged contravention of clause 366 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.
368. Clause 366 does not apply to gifts less than R350 in value or gifts from a single source in any calendar year that does not exceed R350 in value.

Sponsorships

369. The Municipal Manager must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:
- 369.1 a provider or prospective provider of goods or services; or
 - 369.2 a recipient or prospective recipient of goods disposed or to be disposed.

Objections and Complaints

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

Resolution of Disputes, Objections, Complaints and Queries

371. The Municipal Manager shall appoint an independent and impartial person not directly involved in the supply chain to assist in the resolution of disputes between the Municipality and other persons regarding:
- 371.1 any decisions or actions taken in the implementation of the supply chain management system; or
 - 371.2 any matter arising from a contract awarded in the course of the supply chain management system; or
 - 371.3 to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
372. The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.
373. The person appointed must;
- 0 strive to resolve promptly all disputes, objections, complaints; or
 - 1 queries received; and
 - 2 submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.
374. A dispute, objection, complaint or query may be referred to the relevant provincial treasury if;

374.1 the dispute, objection, complaint or query is not resolved within 60 days; or

374.2 no response is forthcoming within 60 days.

375. If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

376. The provisions above must not be read as affecting a person's rights to approach a court at any time.

PREFERENTIAL PROCUREMENT

Introduction

377. The following procurement strategies are addressed in this section:
- 377.1 the unbundling of large projects into smaller contracts;
 - 377.2 increasing employment opportunities by adopting labour friendly technologies;
 - 377.3 the development of a preference system for enterprises owned by Historically Disadvantaged Individuals; and
 - 377.4 the targeting of other specific goals.
378. In terms of the legislation other specific goals may be regarded as a contribution towards achieving the goals of the Reconstruction and Development Program, and as such may be granted preference points in the adjudication of bids.
379. Preferential procurement is further enhanced with provisions aimed at improved access to information, simplification of documentation, reduced performance guarantee requirements, reduced payment cycles and good governance.
380. Preferential Procurement allows for the establishment of procurement initiatives such as joint-venture partnerships, public-private partnerships and unbundling as well as other best practices of procuring Goods, Services and Construction Works

Aim

381. It is the Municipality's aim to spend a minimum of 40% (forty percent) of its annual procurement budget with Historically Disadvantaged Individuals, through the application of preferential procurement.

Performance Management

382. To ensure that preferential procurement attains its objectives, performance will be monitored in terms of the Supply Chain Management performance management system.

Other Specific Goals

383. The following activities may be regarded as a contribution towards achieving the goals of the Reconstruction and Development Program, and as such may be granted preference points in the adjudication of bids:
- a. the promotion of South African owned enterprises;
 - b. the promotion of export orientated production to create jobs;
 - c. the promotion of SMMEs;
 - d. the creation of new jobs or the intensification of labour absorption (which has been interpreted, for the purposes of this policy, to include the employment of local labour);
 - e. the promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
 - f. the promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
 - g. the promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area (the municipal area may, for the purposes of this guide, be narrowed down to smaller local areas such as suburbs or wards);
 - h. the promotion of enterprises located in rural areas;
 - i. the empowerment of the work force by standardising the level of skill and knowledge of workers;
 - j. the development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills (formal training of the work force undertaken on an enterprise's own initiative, shall for the purposes of this policy, be recognised in this category); and
 - k. the upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations and charity organisations.
384. From the Municipality's perspective, the important goals are 376.1, 376.3, 376.4, 376.7, 376.10 and 376.11, although it is clearly not feasible to target all of these goals in each and every contract.
385. The targeting of other specific goals in contracts may be achieved by requiring bidders to either bid a contract participation goal from within a specified

minimum range and from which preference points may be calculated; or by inviting contractors to claim preference points based on an appropriate predetermined empowerment indicator; or by simply specifying a minimum contract participation goal in the contract documentation, which the contractor will be required to meet in the execution of the project, but for which no additional preference points will be granted.

Delegation of supply chain management powers and duties

The **council** hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –

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

386. 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).

387. The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of **Lekwa-Teemane Local Municipality** or to a committee which is not exclusively composed of officials of the **municipality**.

388. 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 of this Policy.

Sub delegations

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

- (2) The power to make a final award –
 - (a) above R10 million (VAT included) may not be sub delegated by the accounting officer;
 - (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (c) not exceeding R2 million (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee.

- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
 - (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.

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

- (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
- (b) to the 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.

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 Section 26 of the Supply Chain Management regulations.

No supply chain management decision-making powers may be delegated to an advisor or consultant.

Supply Chain Management Policy

(Preferential Procurement Regulation, 2017)

PREFERENTIAL PROCUREMENT SYSTEM

Preference point systems

388. The 80/20 preference point system is applicable to bids with a Rand value equal to, or above R30 000 and up to a Rand value of R1 million (all applicable taxes included). Institutions may apply the 80/20 preference point system to price quotations with a value less than R30 000 if and when appropriate.
389. The 90/10 preference point system is applicable to bids with a Rand value above R1 million (all applicable taxes included).
390. The value referred to in paragraphs 3.2.1 and 3.2.2 distinguishing the 80/20 and 90/10 preference point systems has been increased from R500 000 to R1 million.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) STATUS LEVEL CERTIFICATES

391. Bidders are required to submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their bids, to substantiate their B-BBEE rating claims.
392. Bidders who do not submit B-BBEE Status Level Verification Certificates or are non-compliant contributors to B-BBEE do not qualify for preference points for BBEE but should not be disqualified from the bidding process. They will score points out of 90 or 80 for price only and zero (0) points out of 10 or 20 for BBEE.
393. A trust, consortium or joint venture must submit a consolidated B-BBEE Status Level Verification Certificate for every separate bid.
394. Public entities and tertiary institutions must also submit B-BBEE Status Level Verification Certificates together with their bids.
395. If an institution is already in possession of a valid and original or certified copy of a bidder's B-BBEE Status Level Verification Certificate that was obtained for the purpose of establishing the database of possible suppliers for price quotations or that was submitted together with another bid, it is not necessary to obtain a new B-BBEE Status Level Verification Certificate each time a bid is submitted from the specific bidder. Such a certificate may be used to substantiate B-BBEE rating claims provided that the closing date of the bid falls within the expiry date of the certificate that is in the institution's possession. Each time this provision is

applied, cross-reference must be made to the B-BBEE Status Level Verification Certificate already in possession for audit purposes.]

396. AOs / AAs must ensure that the B-BBEE Status Level Verification Certificates submitted are issued by the following agencies:

396.1 Bidders other than EMEs

- (a) Verification agencies accredited by SANAS; or
- (b) Registered auditors approved by IRBA.

396.2 Bidders who qualify as EMEs

- (a) Accounting officers as contemplated in the CCA; or
- (b) Verification agencies accredited by SANAS; or
- (c) Registered auditors. (Registered auditors do not need to meet the
- (d) prerequisite for IRBA's approval for the purpose of conducting verification
- (e) and issuing EMEs with B-BBEE Status Level Certificates).

VALIDITY OF B-BBEE STATUS LEVEL VERIFICATION CERTIFICATES

397. As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:

(a) 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 certificate must be signed by the authorized person from the
- Verification Agency; and
- The B-BBEE Status Level of Contribution obtained by the measured entity

(b) 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 certificate must be signed by the authorized person from the
- Verification Agency; and
- The B-BBEE Status Level of Contribution obtained by the measured entity.

398. The format and content of B-BBEE Status Level Verification Certificates issued by registered auditors approved by IRBA must –
- (a) Clearly identify the B-BBEE approved registered auditor by the auditor's individual registration number with IRBA and the auditor's logo;
 - (b) Clearly record an approved B-BBEE Verification Certificate identification reference in the format required by the SASAE;
 - (c) Reflect relevant information regarding the identity and location of the measured entity;
 - (d) Identify the Codes of Good Practice or relevant Sector Codes applied in the determination of the scores;
 - (e) 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; and
 - (f) 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 and reflect both the issuance and expiry date.
399. Confirmation of the validity of a B-BBEE Status Level Verification Certificate can be done by tracing the name of the issuing B-BBEE approved registered auditor to the list of all approved registered auditors. The list is accessible on <http://www.thedti.gov.za> and / <http://www.irba.co.za>. The relevant approved registered auditor may be contacted to confirm whether such a certificate was issued.

Accounting officers as contemplated in section 60(4) of the CCA;

400. These certificates will be issued in the accounting officer's letterhead with the accounting officer's practice number and contact number clearly specified on the face of the certificates.
401. The content of B-BBEE Status Level Verification Certificates issued by accounting officers as contemplated in the CCA is detailed in paragraph 4.8.5 below.

VERIFICATION CERTIFICATES IN RESPECT OF EMES

402. In terms of the Generic Codes of Good Practice, an enterprise including a sole propriety with an annual total revenue of R5 million or less qualifies as an EME.
403. In instances where Sector Charters are developed to address the transformation challenges of specific sectors or industries, the threshold for qualification as an

EME may be different from the generic threshold of R5 million. The relevant Sector Charter thresholds will therefore be used as a basis for a potential bidder to qualify as an EME. For example the approved thresholds for EMEs for the Tourism and Construction Sector Charters are R2.5 million and R1.5 million respectively.

404. EMEs are deemed to have a B-BBEE status of “level four (4) contributor”. In instances where EMEs are more than 50% owned by black people, such EMEs qualify as “B-BBEE status level three (3) contributors”.
405. Sufficient evidence to confirm a qualifying EME is a certificate issued by an Accounting Officer (as contemplated in the CCA), a similar certificate issued by a Registered Auditor or a Verification Agency.

PLANNING, STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILISED AND THE DETERMINATION OF DESIGNATED SECTORS

406. Prior to the invitation of bids, AOs/AAs are required to:
 - (a) Properly plan for the provision of services, works or goods in order to ensure that the resources that are required to fulfill the needs identified in the strategic plan of the institution are delivered at the correct time, price, place and that the quantity and quality will satisfy those needs.
 - (b) As far as possible, accurately estimate the costs for the provision of the required services, works or goods. This is in order to determine and stipulate the appropriate preference point system to be utilised in the evaluation and adjudication of the bids and to ensure that the prices paid for the services, works and goods are market related.
 - (c) Estimated costs can be determined by conducting an industry and commodity analysis whereby prospective suppliers may be approached to obtain indicative market related prices that may be utilised for benchmarking purposes. Based on the findings, the relevant preference point system (80/20 or 90/10) to be utilized for the evaluation of the bid must be stipulated in the bid documents; and
 - (d) Determine whether the services, works or goods for which an invitation is to be made have been designated for local production and content in terms of Regulation 9 of the Preferential Procurement Regulations. This will entail the inclusion of a specific condition in the bid documents that only locally produced services, works or goods or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered. This will subsequently have a direct impact on the evaluation of the bid.

BIDS BASED ON FUNCTIONALITY AS A CRITERION

407. In general, not all bids should be invited on the basis of functionality as a criterion. The need to invite bids on the basis of functionality as a criterion depends on the nature of the required commodity or service taking into account quality, reliability, viability and durability of a service and the bidders technical capacity and ability to execute a contract.
408. When an institution invites a bid that will also be evaluated on the basis of functionality as a criterion, the AO/ AA must clearly specify the following aspects in the bid documents:

(a) Evaluation criteria for measuring functionality

The evaluation criteria may include criteria such as the consultant's relevant experience for the assignment, the quality of the methodology; the qualifications of key personnel; transfer of knowledge etc.

(b) Weight of each criterion

The weight that is allocated to each criterion should not be generic but should be determined separately for each bid on a case by case basis.

(c) Applicable value

The applicable values that will be utilised when scoring each criterion should be objective. As a guide, values ranging from 1 being poor, 2 being average, 3 being good, 4 being very good and 5 being excellent, may be utilised.

(d) Minimum qualifying score for functionality.

EVALUATION OF BIDS BASED ON FUNCTIONALITY AS A CRITERION

409. Bids invited on the basis of functionality as a criterion must be evaluated in two stages – first functionality must be assessed and then in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6. The evaluation must be done as follows:

408.1 First stage – Evaluation of functionality

- 408.1.1 Bids must be evaluated in terms of the evaluation criteria embodied in the bid documents. 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.

- 408.1.2 A bid will be considered further if it achieves the prescribed minimum qualifying score for functionality.
- 408.1.3 Bids that fail to achieve the minimum qualifying score for functionality must be disqualified.
- 408.1.4 Score sheets should be prepared and provided to panel members to evaluate the bids.
- 408.1.5 The 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 documents.
- 408.1.6 Each panel member should after thorough evaluation independently award his /her own value to each individual criterion.
- 408.1.7 Score sheets should be signed by panel members and if necessary, written motivation may be requested from panel members where vast discrepancies in the values awarded for each criterion exist.
- 408.1.8 If the minimum qualifying score for functionality is indicated as a percentage in the bid documents, the percentage scored for functionality may be calculated as follows:
 - a. The value awarded for each criterion should be multiplied by the weight for the relevant criterion to obtain the score for the various criteria;
 - b. The scores for each criterion should be added to obtain the total score.
- 408.2 Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems
 - 408.2.1 Only bids that achieve the minimum stipulated threshold for local production and content must be evaluated further in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6. [Guidance on the evaluation of bids in terms of the 80/20 or 90/10 preference points systems is provided in paragraph 13 of this Guide].

- 408.2.2 Where appropriate, prices may be negotiated only with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

THE PREFERENCE POINT SYSTEMS

409.1 Step 1: Calculation of points for price

409.1.1 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.

409.1.2 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 R1million) (all applicable taxes included)]

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmin = 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 R1million) (all applicable taxes included)]

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmin = Comparative price of lowest acceptable bid or offer.

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

410. Step 2: Calculation of points for B-BBEE status level of contributor

410.1.1 Points must be awarded to a bidder for attaining the B-BBEE status level of contribution in accordance with the table below:

B-BBEE Status Level of Contributor	Number of points (90/10 system)	Number of points (80/20 system)
1	10	20
2	9	18
3	8	16
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non Compliant Contributor	0	0

411. A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score zero (0) out of a maximum of 10 or 20 points respectively for B-BBEE.

Calculation of total points scored for price and B-BBEE status level of Contribution

412. The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.

EVALUATION OF BIDS THAT SCORED EQUAL POINTS

413. 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 B-BBEE.
414. If two or more bids have equal points, including equal preference points for BBEE, the successful bid must be the one scoring the highest score for functionality, if functionality is part of the evaluation process.
415. In the event that two or more bids are equal in all respects, the award must be decided by the drawing of lots.

CANCELLATION AND RE-INVITATION OF BIDS

416. In the application of the 80/20 preference point system, if **all** bids received exceed R1 000 000, the bid must be cancelled. If one or more of the acceptable bid(s) received are within the R1 000 000 threshold, all bids received must be evaluated on the 80/20 preference point system.
417. In the application of the 90/10 preference point system, if **all** bids received are equal to or below R1 000 000, the bid must be cancelled. If one or more of the acceptable bid(s) received are above the R1 000 000 threshold, all bids received must be evaluated on the 90/10 preference point system.
418. If a bid was cancelled in terms of paragraph 15.1 or 15.2, the correct preference point system must be stipulated in the bid documents of the re-invited bid.

419. An AO / AA may, prior to the award of a bid, cancel the bid if:

419.1 Due to changed circumstances, there is no longer a need for the services, works or goods requested. [AOs / AAs must ensure that only goods, services or works that are required to fulfil the needs of the institution are procured]; or

419.2 Funds are no longer available to cover the total envisaged expenditure. [AOs / AAs must ensure that the budgetary provisions exist]; or

419.3 No acceptable bids are received. [If all bids received are rejected, the institution must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids].

PART B

SUPPLY CHAIN MANAGEMENT POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

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1. Scope

This policy establishes the Lekwa-Teemane Local Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Lekwa-Teemane Local Municipality which are stored and issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of any form of land availability agreement;
- d) the leasing or rental of moveable assets; and
- e) public private partnerships.

2. Terms, definitions and abbreviations

2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

Agent: person or organization that is not an employee of Lekwa-Teemane Local Municipality that acts on the Lekwa-Teemane Local Municipality's behalf in the application of this document

Authorised person: the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

Conflict of interest: any situation in which:

- a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,
- b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or
- c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

Contract manager: person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

Family member: a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

Framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

Gate: a control point at the end of a process where a decision is required before proceeding to the next process or activity

Gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

Gratification: an inducement to perform an improper act

Infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

Infrastructure procurement: the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

Maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

Operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

Order: an instruction to provide goods, services or any combination thereof under a framework agreement

Organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

Procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

Principal: a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

Standard: the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

Working day: any day of a week on which is not a Sunday, Saturday or public holiday

2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

3. General requirements

3.1 Delegations

3.1.1 The council of Lekwa-Teemane Local Municipality hereby delegates all powers and duties to the municipal manager which are necessary to enable the municipal manager to:

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and
- d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2 No departure shall be made from the provisions of this policy without the approval of the municipal manager of Lekwa-Teemane Local Municipality

3.1.3 The municipal manager shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this policy to the council of the Lekwa-Teemane Local Municipality.
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council.
- c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the mayor and
- d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1 Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.⁵

3.2.2 Pre-feasibility and feasibility reports are required on the provision of new infrastructure, rehabilitation, refurbishment or alteration of existing infrastructure.

3.3 Supervision of the infrastructure delivery management unit

The Infrastructure Delivery Management Unit shall be directly supervised by the Director Technical Services.

3.4 Objections and complaints

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

3.5 Resolution of disputes, objections, complaints and queries

3.5.1 The municipal manager shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the municipality and other persons regarding:

- a) any decisions or actions taken in the implementation of the supply chain management system;
- b) any matter arising from a contract awarded within the Lekwa-Teemane Local Municipality's infrastructure delivery management system; or
- c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

3.5.2 The Corporate Services Department shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

3.5.3 The person appointed in terms of 3.5.1 shall:

- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- b) submit monthly reports to the municipal manager on all disputes, objections, complaints or queries received, attended to or resolved.

3.5.4 A dispute, objection, complaint or query may be referred to the Provincial Treasury if:

- a) the dispute, objection, complaint or query is not resolved within 60 days; or
- b) no response is forthcoming within 60 days.

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

4. Control framework for infrastructure delivery management

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Gateway reviews

4.2.1 Gateway reviews for major capital projects above a threshold

4.2.1.1 The Municipal Manager shall appoint a gateway review team in accordance with the provisions of clause of the standard to undertake gateway reviews for major capital projects.

4.2.1.2 The requirements for a gateway review in addition to those contained in section of the standard are as follows:

4.2.2 Elective gateway reviews

Gateway reviews shall be undertaken

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables.
No.	Name	
0	Project initiation	Manager PMU accepts the initiation report
1	Infrastructure planning	Director Technical Services approves the infrastructure plan
2	Strategic resourcing	Municipal Manager approves the delivery and / or procurement strategy
3	Pre-feasibility	Manager PMU accepts the pre-feasibility report
	Preparation and briefing	Director Technical Services accepts the strategic brief
4	Feasibility	Municipal Manager accepts the feasibility report
	Concept and viability	Director Technical Services accepts the concept report
5	Design development	Director Technical Services accepts the design development report
6	Design documentation	6A Production information Municipal Manager accepts the parts of the production information which are identified

			when the design development report is accepted as requiring acceptance
		6B Manufacture, fabrication and construction information	The contract manager accepts the manufacture, fabrication and construction information
7	Works	The contract manager certifies completion of the works or the delivery of goods and associated services	
8	Handover	The end user accepts liability for the works	
9	Package completion	The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract Director Technical Services and Municipal Manager accepts the close out report	

5. Control framework for infrastructure procurement

5.1 The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

5.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows: ¹⁸

- a) Municipal Manager shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

6 Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement

6.1.1.1 General

- 6.1.1.1.1** A Bid committee system comprising the Bid specification committee, evaluation committee and bid adjudication committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.
- 6.1.1.1.2** The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.
- 6.1.1.1.3** The persons appointed in writing as technical advisors and subject matter experts may attend any committee meeting.
- 6.1.1.1.4** No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a bid specification, evaluation or bid adjudication committee.
- 6.1.1.1.5** Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.
- 6.1.1.1.6** Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

6.1.1.2 Bid specification committee

- 6.1.1.2.1** The municipal manager shall appoint in writing on a procurement by procurement basis:
 - a) the persons to review the procurement documents and to develop a bid specification review report in accordance with clause 4.2.2.1 of the standard; and

b) the members of the bid specification committee.

6.1.1.2.2 The bid specification committee shall comprise one or more persons. The chairperson shall be an employee of Lekwa-Teemane Local Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

The Bid Specification Committee shall be comprised of at least three Municipality officials, an appointed Chairperson, a responsible official and at least one Supply Chain Management Practitioner of the Municipality.

Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.

6.1.1.2.3 No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

1. Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold should be localized according to agreement by the municipality.

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	Relevant Senior Manager
2*	Decide on procurement strategy	2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	Chief Financial Officer
3	Solicit tender offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Manager SCM
		3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	Manager Budget
4	Evaluate tender offers	4.2 PG5	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process	Manager SCM and Chairpersons of committees.
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	Bid adjudication Committee
5	Award contract	5.3 PG7	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	Municipal Manager

		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	Manager Expenditure
6	Administer contracts and confirm compliance with requirements	6.4 PG8A	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Municipal Manager
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	Municipal Manager
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage ²¹	Approve amount of time and cost overruns up to the threshold	Director Technical Services and CFO
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively	Approve amount of time and cost overruns above a the threshold	Municipal Manager
		6.8 PG8E	Obtain approval to cancel or terminate a contract	Approve amount	Municipal Manager
		6.9 PG8F	Obtain approval to amend a contract	Approve proposed amendment to contract	Municipal Manager

2. **Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement should be localized according to agreement by the municipality.**

Activity		Key action	Person assigned responsibility to perform key action
1 FG1	Confirm justifiable reasons for selecting a framework contactor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	Manager SCM
3 FG2	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	CFO
4 FG3	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	Manager Budget
6 FG4	Authorise the issuing of the order	If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	CFO

6.1.1.3 Evaluation committee

6.1.1.3.1 The Municipal Manager shall appoint on a procurement by procurement basis in writing:

- a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and
- b) the members of the evaluation committee.

6.1.1.3.2 The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Lekwa-Teemane Local Municipality with requisite skills. Other members shall include a supply chain management practitioner and, where relevant, include an official from the department requiring infrastructure delivery.

- An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.
- The Bid Evaluation Committee shall be comprised of at least three Municipality officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one Supply Chain Management Practitioner of the Municipality.
- Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary. External specialists/experts may advise the Bid Evaluation Committee, as required.
- The Municipal Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Evaluation Committees.
- Bid Evaluation Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

6.1.1.3.3 The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax and municipal rates and taxes compliance status;
- c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;

- d) the Compulsory Declaration has been completed; and
- e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.4 No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the bid specification committee or a family member or associate of such a member, may be considered by the evaluation committee.

6.1.1.3.5 The chairperson of the evaluation committee shall promptly notify the municipal manager of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4 Bid adjudication committee

6.1.1.4.1 The bid adjudication committee should be localized to Lekwa-Teemane and shall comprise the following persons or their mandated delegate:

- a) Chief Financial Officer who shall be the chairperson:
- b) Director Technical Services
- c) Director Corporate Services
- d) Director Community Services
- e) a supply chain management practitioner and
- f) a technical expert in the relevant field, if the mainly the relevant director

6.1.1.4.2 No member of the Bid evaluation committee may serve on the bid adjudication committee. A member of an evaluation committee may, however, participate in the deliberations of a bid adjudication committee as a technical advisor or a subject matter expert.

6.1.1.4.3 The bid adjudication committee shall:

- a) consider the report and recommendations of the evaluation committee and:
 - 1) verify that the procurement process which was followed complies with the provisions of this document;
 - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
 - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
 - 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and

- b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

6.1.1.4.4 The bid adjudication committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

6.1.1.4.5 The bid adjudication committee shall consider the merits of an unsolicited offer and make a recommendation to the municipal manager.

6.1.1.4.6 The bid evaluation committee shall report to the municipal manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

6.1.1.4.7 The bid adjudication committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

6.1.1.4.8 The bid adjudication committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the [name of applicable provincial treasury] shall be informed where such tenderers are disregarded.

6.1.2 Actions of an authorised person relating to the award of a contract or an order

6.1.2.1 Award of a contract

6.1.2.1 The Municipal Manager shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the bid adjudication committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the CFO, and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or

- b) decide not to proceed or to start afresh with the process.

6.1.2.2 The Municipal Manager shall immediately notify the CFO if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and North West Provincial Treasury, of the reasons for deviating from such recommendation.

6.1.2.3 Issuing of an order

The CFO, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the evaluation committee or the Manager Demand and Acquisition, as relevant, and either:

- a) authorise the issuing of an order should be localized in accordance with the provisions of clause 4.25 of the standard; or
- b) decide not to proceed or to start afresh with the process.

6.1.3 Conduct of those engaged in infrastructure delivery

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of Lekwa-Teemane Local Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2 All personnel and agents engaged in Lekwa-Teemane Local Municipality's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;

- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
 - e) ensure that resources are administered responsibly;
 - f) be fair and impartial in the performance of their functions;
 - g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
 - h) not abuse the power vested in them;
 - i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
 - j) assist Lekwa-Teemane Local Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
 - k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
 - l) not make false or misleading entries in reports or accounting systems;
- and
- m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

6.1.3.1.2 An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

6.1.3.2 Conflicts of interest

6.1.3.2.1 The employees and agents of Lekwa-Teemane Local Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

- a) disclose in writing to the employee of the Lekwa-Teemane Local Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of Lekwa-Teemane Local Municipality proprietary information.

6.1.3.2.2 The employees and agents of Lekwa-Teemane Local Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations

relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3 Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Lekwa-Teemane Local Municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) Lekwa-Teemane Local Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the bid specification committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

6.1.3.3 Evaluation of submissions received from respondents and tenderers

6.1.3.3.1 The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Lekwa-Teemane Local Municipality.

6.1.3.3.2 The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Lekwa-Teemane Local Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 Lekwa-Teemane Local Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

6.1.3.4 Non-disclosure agreements

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Lekwa-Teemane Local Municipality's confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of Lekwa-Teemane Local Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2 The employees and agents of Lekwa-Teemane Local Municipality as well as their family members of associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

6.1.3.5.3 The employees and agents of Lekwa-Teemane Local Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4 All employees and agents of Lekwa-Teemane Local Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and

- e) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350 unless they have declared them to the municipal manager.

6.1.3.5.5 Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

6.1.3.5.6 Employees and agents of Lekwa-Teemane Local Municipality shall without delay report to the municipal manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

6.1.3.6 Reporting of breaches

Employees and agents of Lekwa-Teemane Local Municipality shall promptly report to the [municipal manager or chief executive or chief financial officer or appropriately delegated authority] any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

6.1.4 Measures to prevent abuse of the infrastructure delivery system

The Municipal Manager or Chief Financial Officer or appropriately delegated authority] shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the National Treasury and NW provincial treasury] of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
 - 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
 - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

6.1.5 Awards to persons in the service of the state

6.1.5.1 Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal council, any provincial legislature, or the National Assembly or the National Council of Provinces;
- b) a member of the board of directors of any municipal entity;
- c) an official of any municipality or municipal entity;
- d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- e) a member of the accounting authority of any national or provincial public entity; or
- f) an employee of Parliament or a provincial legislature.

6.1.5.2 The notes to the annual financial statements of the municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

6.1.6 Collusive tendering

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be rejected.

6.1.7 Placing of contractors under restrictions

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;

- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards Lekwa-Teemane Local Municipality; or
- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of Lekwa-Teemane Local Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,
- g) Chief Financial Officer shall prepare a report on the matter and make a recommendation to the municipal manager for placing the contractor or any of its principals under restrictions from doing business with the Lekwa-Teemane Local Municipality.

6.1.7.2 The municipal manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to Lekwa-Teemane Local Municipality for 3 years.

6.1.7.3 The Budget and Treasury Office shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Lekwa-Teemane Local Municipality who are engaged in procurement processes; and
- b) notify the National Treasury and North West Provincial Treasury and , if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8 Complaints

6.1.8.1 All complaints regarding the Lekwa-Teemane Local Municipality's infrastructure delivery management system shall be addressed to the municipal manager. Such complaints shall be in writing.

6.1.8.2 The RISK UNIT Officer shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Municipal Manager who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal

- 6.2.1.1** The Lekwa-Teemane Local Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:
- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
 - b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
 - c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for Lekwa-Teemane Local Municipality;
 - d) the offer is in writing and clearly sets out the proposed cost;
 - e) the person who made the offer is the sole provider of the goods or service; and
 - f) the municipal manager finds the reasons for not going through a normal tender processes to be sound.

- 6.2.1.2** The municipal manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the bid adjudication committee if:
- a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;
 - b) the Lekwa-Teemane Local Municipality' has obtained comments and recommendations on the offer from the National Treasury and North West Provincial Treasury;
 - c) the bid adjudication committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and North West provincial treasury]; and
 - d) the provisions of 6.2.1.3 are complied with.

- 6.2.1.3** The municipal manager shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the [name of applicable provincial treasury] and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

6.2.2 Tax and rates compliance

6.2.2.1 SARS tax clearance

6.2.2.1.1 No contract may be awarded or an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

Before making an award the municipality must check if the person's tax matters are in order through validation on the Central Supplier Database.

6.2.2.1.2 In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

6.2.2.1.3 No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of Lekwa-Teemane Local Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

6.2.2.1.4 Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to Municipal Manager that it intends challenging its tax compliance status with SARS,

- a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

6.2.2.1.5 The Lekwa-Teemane Local Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e).

6.2.2.2 Municipal rates and taxes

No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

6.2.3 Declarations of interest

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Lekwa-Teemane Local Municipality or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

6.2.4 Invitations to submit expressions of interest or tender offers

6.2.4.1 All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Lekwa-Teemane Local Municipality's website and on the National Treasury eTender Publication Portal. Advertisements shall be placed by Manager SCM

6.2.4.2 Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by Manager SCM.

6.2.4.3 Where deemed appropriate by Manager: Demand and Acquisition: SK Phutieagae an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person. Advertisements shall be placed by Manager: Demand and Acquisition.

6.2.4.4 Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the municipal manager.

6.2.4.5 Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Bid documents shall be made available not less than 7 days before the closing time for submissions.

6.2.5 Publication of submissions received and the award of contracts

6.2.5.1 The Manager Supply Chain shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT on the municipality's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable,

the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

6.2.5.2 The Manager Supply Chain shall publish within 7 working days of the award of a contract the following on the Lekwa-Teemane Local Municipality's website

- a) the contract number;
- b) contract title;
- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;
- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

6.2.5.3 The Manager Supply Chain shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by Manager Supply Chain.

6.2.5.4 The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be placed by Manager Supply Chain.

6.2.6 Disposal committee

6.2.6.1 The Municipal Manager shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.6.2 The disposal panel shall comprise not less than three people. The chairperson shall be an employee of Lekwa-Teemane Local Municipality.

6.2.6.3 The disposal committee shall make recommendations to [MM] who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

The Chief Financial Officer shall submit any reports required in terms of the standard to the National Treasury or North West provincial treasury.

7. Infrastructure procurement

7.1 Procurement documents

7.1.1 The forms of contract that may be used are as follows:

Form of contract³⁷	Code	Usage

7.2.2 The Lekwa-Teemane Local Municipality's preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by Municipal Manager prior to being issued for tender purposes.

7.2.3 Disputes arising from the performance of a contract shall be finally settled in a South African court of law.

7.2.4 State additional requirements, if any e.g. use of standard access specifications, health and safety specifications etc.

7.2.5 The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

- a) consultancy services; and
- b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.

7.3 Payment of contractors

The Lekwa-Teemane Local Municipality shall settle all accounts within 30 days of invoice or statement as provided for in the contract.

7.4 Approval to utilise specific procurement procedures

7.4.1 Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

- a) BID Adjudication committee shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
- b) BID Adjudication committee shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and

which can be dealt with or the risks relating thereto arrested within 48 hours; and

- c) the proposal procedure using the two-envelope system, the proposal procedure using the two stage system or the competitive negotiations procedure

7.4.2 The person authorized to pursue a negotiated procedure in an emergency is the Chief Financial Officer in consultation with the relevant director

7.5 Receipt and safeguarding of submissions

7.5.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.

7.5.2 The tender box shall be fitted with two locks and the keys kept separately by two Manager and risk officer/any official appointed in writing by Municipal Manager. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.6 Opening of submissions

7.6.1 The submission shall be opened by an opening panel comprising three people not two people nominated by Municipal Manager who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.6.2 The opening panel shall open the tender box at the stipulated closing time and:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) return submissions unopened and suitably annotated where:
 - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
 - 2) submissions were submitted by a method other than the stated method,
 - 3) submissions were withdrawn in accordance with the procedures contained in SANS 108453; and.
 - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the

name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;

- e) Record in the register the name of any submissions that is returned with the reasons for doing so;
- f) Record the names of the tenderer’s representatives that attend the public opening;
- g) Sign the entries into the register; and
- h) Stamp each returnable document in each tender submission.

7.6.3 Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

7.6.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

7.6.5 Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

7.7 Use of another organ of state’s framework agreement

The Lekwa-Teemane Local Municipality may make use of another organ of state’s framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The municipal manager shall make the necessary application to that organ of state to do so.

7.8 Insurances

7.8.1 Contractors shall be required to take out all insurances required in terms of the contract.51

7.8.2 The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by Municipal Manager.

7.8.3 Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

Table 4: Minimum insurance cover

Type of insurance	Value
Engineering and construction contracts - loss of or damage to	Not less than

property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million Other: R3,0 million

- 7.8.4** The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by [designated person].
- 7.8.5** SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.
- 7.8.5** Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the [designated person] in relation to the nature of the service that they provide. .
- 7.8.6** Lekwa-Teemane Local Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.
- 7.8.7** Where payment is to be made in multiple currencies, either the contractor or Lekwa-Teemane Local Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.
- 7.9** Written reasons for actions taken

- 7.9.1** Written reasons for actions taken shall be provided by a [designated person].
- 7.9.2** The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:
- a) SANS 10845-3, Construction procurement - Part 3: Standard conditions of tender, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
 - b) SANS 10845-4, Construction procurement - Part 4: Standard conditions for the calling for expressions of interest;
 - c) as to why a tenderer was not considered for the award of a contract or not awarded a contract.
- 7.9.3** Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information prejudice fair competition between tenderers.
- 7.10** Request for access to information
- 7.10.1** Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the “requestor” should be referred to the Lekwa-Teemane Local the criteria that have to be met for the “requester” to request access to records in the possession or under the control of Lekwa-Teemane Local Municipality’s.
- 7.10.2** Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

PART C

**STANDARD FOR INFRASTRUCTURE PROCUREMENT AND
DELIVERY MANAGEMENT**

INTRODUCTION

Public infrastructure

South African citizens are surrounded by public infrastructure. Offices and facilities provide places of work for officials. Schools, hospitals and clinics provide essential services. Roads and railways not only enable travel, but also distribute goods and services. Border posts, harbours and airports are the physical links with neighbouring countries and the world. Dams provide water for human consumption and agricultural and industrial purposes. Networks deliver water and electricity to consumers and convey industrial effluent, soil water and wastewater to treatment works. Such infrastructure is foundational to a better life for all. However, investment in economic infrastructure will not necessarily lead to economic growth. Infrastructure which provides improvements or efficiencies in services, production or export capabilities, and which is delivered and maintained in a manner that minimises waste of materials, time and effort in order to generate the maximum possible amount of value, is most likely to contribute to economic growth.

Infrastructure is required by the state and state-owned businesses to deliver services to citizens. Each organ of state has a legislated mandate. Some organs of state generate revenue but require capital to expand their revenue generating services, while other are totally reliant on funding from the fiscus to satisfy their infrastructure needs. The fiscus has limited financial resources to fund infrastructure projects. New infrastructure projects need to be budgeted for, taking into account future operation and maintenance costs and current commitments. Accordingly, organs of state requiring funds for infrastructure projects compete for budget allocations. Projects need to be prioritized both within an organ of state and between organs of state. Such prioritisation is sometimes based on political prerogatives while at other times it is based on objective decision-making criteria, which take into account factors such as overarching government wide, long and medium-term policies and plans, including integrated sector plans and mandates.

The time taken between the submission of a project proposal and a final decision by an organ of state to implement a project can, depending upon the nature, complexity and size of a project and requirements for statutory approvals, take several years. Funding may also be required to develop project proposals so that informed decisions can be made regarding their implementation. In the first instance, initiation reports need to be developed to outline the business case. Should funding be made available to progress the proposal, a prefeasibility report is required on major capital projects to determine whether or not it is worthwhile to proceed to the feasibility stage where sufficient information is presented to enable a final decision to be made regarding the implementation of a project. On smaller projects of a routine nature, a strategic brief is required to brief the professional team so that they can develop a viable and integrated concept for the project. A final decision to proceed to implementation is based on a concept report.

The initiation reports and feasibility reports on major capital projects, above a threshold, other than those initiated by municipalities, require cabinet or executive council approval. This enables the inputs of other organs of state in the national and provincial

spheres of government who may have competing projects, or projects which may be negatively impacted by the diversion of funds to such large projects, to make their inputs in the project approval process. Projects which are categorised as strategic integrated projects are given priority in planning, the obtaining of statutory approvals and implementation by the Presidential Coordinating Commission.

Procurement and supply chain management reform

The South African Planning Commission's National Development Plan 2030: *Our future – make it work* proposes that the following five areas be focused on in designing a procurement system that is better able to deliver value for money, while minimising the scope for corruption:

- differentiate between the different types of procurement which pose different challenges and require different skills sets;
- adopt a strategic approach to procurement above the project level to balance competing objectives and priorities rather than viewing each project in isolation;
- build relationships of trust and understanding with the private sector;
- develop professional supply chain management capacity through training and accreditation; and
- incorporate oversight functions to assess value for money.

National Treasury's 2015 Public Sector Supply Chain Management Review expresses the view that supply chain management (SCM) is one of the key mechanisms enabling government to implement policy which traditionally has been misunderstood and undervalued. This Review, which identified the need for SCM reform, suggests that if such reforms are implemented as envisaged in terms of section 217 of the Constitution, the benefits will be enormous, namely that:

- good-quality service delivery will be increasingly possible, with significant improvements in the welfare of South Africa's citizens, and especially the poor who rely heavily on government for support;
- the economy will grow as economic infrastructure is expanded and efficiently maintained;
- goods, services and infrastructure will be bought at lower costs;
- innovation will result in different approaches to the commodities used in some sectors; and
- for suppliers, the cost of doing business with the state should decrease substantially.

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued for use. Services are most often of a routine and repetitive nature with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.

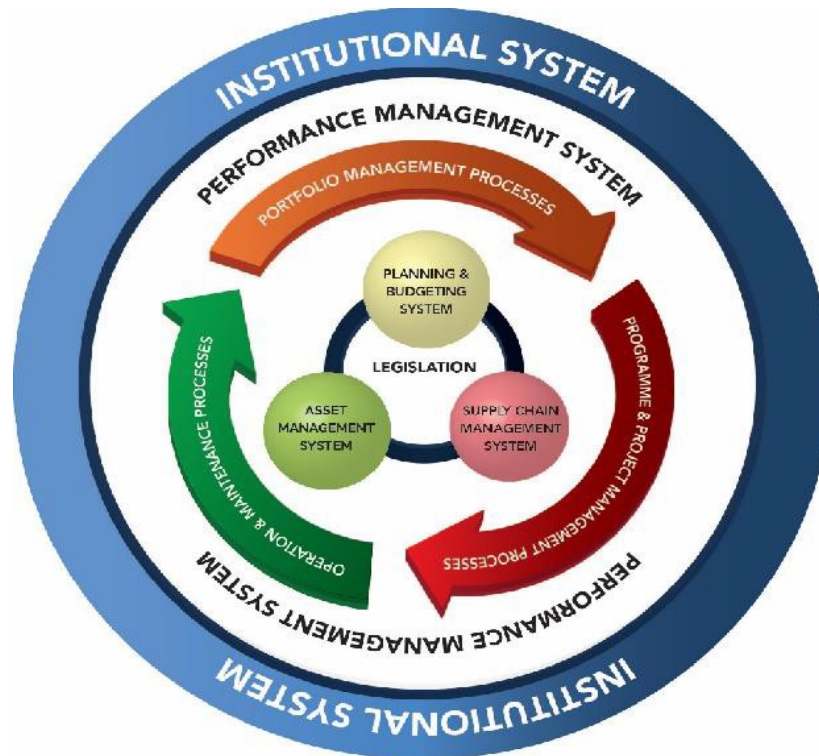
In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level, and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Infrastructure delivery is the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure. There is an urgent need to separate supply chain management requirements for general goods and services from those for infrastructure delivery in order to improve project outcomes.

Government's Infrastructure Delivery Management System

Government's Infrastructure Delivery Management System (IDMS) comprises three core systems, namely, a planning and budgeting, a supply chain management and an asset management system, all of which have forward and backward linkages. These core systems are located within portfolio, programme and project management, and operation and maintenance processes. Collectively these processes and systems, together with a performance management system, establish the institutional system for infrastructure delivery as indicated in the following sketch.

The Infrastructure Delivery Management System



The IDMS is supported by legislation and performance monitoring. It has a strong focus on the effective and efficient functioning of the supply chain management system.

Standard for Infrastructure Procurement and Delivery Management

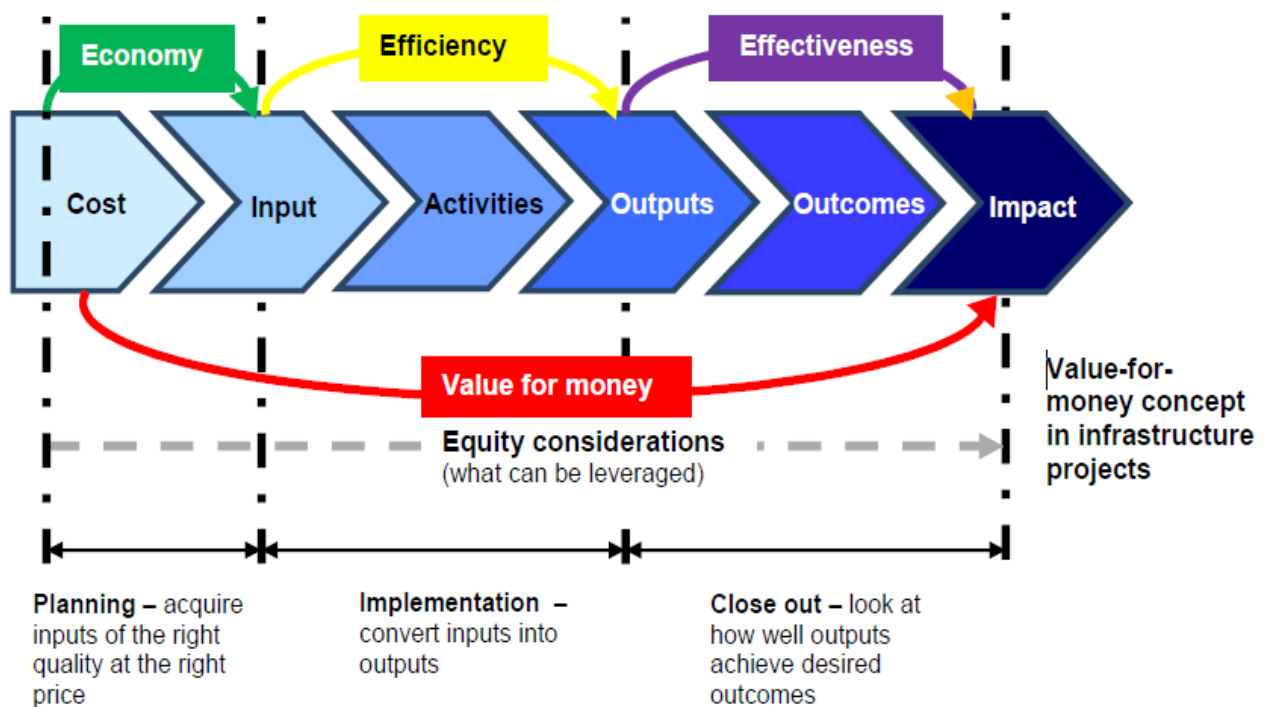
This Standard for Infrastructure Procurement and Delivery Management (SIPDM) covers the supply chain management system for infrastructure delivery. It has been framed around the five focus areas proposed by the National Planning Commission for the design of a procurement system and draws upon the work of the 2015 Public Sector Supply Chain Management Review. It is issued as an instruction in terms of Section 76(4)(c) of the Public Finance Management Act of 1999 (Act No.1 of 1999) and is applicable to the following organs of state:

- a) a national or provincial department as defined in the Public Finance Management Act;
- b) a constitutional institution entity as listed in schedule 1 of the Public Finance Management Act;
- c) a public entity as listed in schedules 2 and 3 of the Public Finance Management Act of 1999; and
- d) any organ of state which implements infrastructure delivery projects on behalf of another organ of state.

This standard also forms an integral part of the Model SCM Policy for Infrastructure Delivery Management which has been issued as a Treasury guideline determining a

standard for municipal supply chain management policies in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act No. 56 of 2003) in support of Regulation 3(2) of the Supply Chain Management Regulations. Accordingly, the standard applies to a municipality or municipal entity whose council or board of directors, respectively, adopts the aforementioned guideline standard.

Underlying this standard is the notion that the effective and efficient functioning of the supply chain management system for the procurement and delivery of infrastructure will realise value for money and good-quality service delivery. Value for money may be regarded as the optimal use of resources to achieve the intended outcomes. Underlying value for money is an explicit commitment to ensure that the best results possible are obtained from the money spent, or maximum benefit is derived from the resources available. It is about striking the balance between the three “E’s”, namely, economy, efficiency and effectiveness, whilst being mindful of a fourth “E” – equity– as indicated in the diagram below.



The critical starting point in delivering value for money through infrastructure projects is, in the first instance, to align such projects with strategic objectives, priorities, budgets and plans, and thereafter, during the planning phase, to clearly define objectives and expected outcomes, as well as parameters such as the timelines, cost and levels of uncertainty. This frames the value-for-money proposition that needs to be implemented at the point in time that a decision is taken to proceed with a project, i.e. it establishes “economy” and identifies “equity”. The end point is to compare the projected outcomes

against the actual outcomes, ie. to confirm the “effectiveness” of the project in delivering value for money.

Implementation sits between “economy” and “effectiveness” in the results chain framework. It needs to be executed “efficiently” in order to minimise time delays, scope creep and unproductive costs, and to mitigate the effects of uncertainty on objectives so as to maintain the value-for-money proposition formulated at the outset of the project. This necessitates that the implementer of an infrastructure project exercises due care and reasonableness during implementation. Failure to do so may result in substandard or unacceptable performance, which results in a gap between intended and achieved outcomes. This gap puts value for money for a project at risk and may result in unintended consequences, such as community instability and unrest.

Organs of state which are required to implement this standard need to establish a suitable supply chain management policy for infrastructure procurement and delivery management in order to do so.

Standard for Infrastructure Procurement and Delivery Management

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1 SCOPE

- 1.1.1 This standard establishes a supply chain management system for infrastructure procurement and delivery management by organs of state which are subject to the Public Finance Management Act, the Local Government: Municipal Finance Management Act, or which implement infrastructure projects on behalf of another organ of state in terms of section 238 of the Constitution of the Republic of South Africa, 1996. This standard:
- a) provides a control framework for the planning, design and execution of infrastructure projects, the tracking of such projects and the monitoring of performance which:
 - 1) enables risks to be proactively managed;
 - 2) is capable of being audited;
 - 3) is aimed at ensuring that any infrastructure acquired or to be acquired:
 - is in accordance with the legal mandates and strategic priorities;
 - is delivered in the right quantity and quality, and at the right place and time;
 - is financially, economically and technically viable and offers value for money over its life cycle;
 - is affordable in terms of existing budget and future budgetary projections after taking into account life cycle costs;
 - is acquired in accordance with any required statutory permissions;
 - makes optimal utilisation of existing infrastructure as demand patterns change over time;
 - can be readily and economically maintained; and
 - is aligned between those who design and construct infrastructure, and those who subsequently occupy, use and manage the infrastructure;
 - b) provides a control framework for infrastructure procurement;
 - c) establishes requirements for the following matters as applied to infrastructure procurement and delivery management:
 - institutional arrangements;
 - demand management;
 - acquisition management;
 - contract management;
 - logistics management;
 - disposal management;
 - reporting of supply chain management information;
 - regular assessment of supply chain management performance;
 - risk management and internal control; and
 - d) establishes minimum requirements for infrastructure procurement.

- 1.2 This standard facilitates the allocation of clear responsibilities for performing activities and making decisions at gates.
- 1.3 The standard does not apply to:
- a) the storage of goods and equipment, following their delivery to an organ of state, which are stored and issued to contractors or to employees of that organ of state;
 - b) the disposal or letting of land;
 - c) the conclusion of any form of land availability agreement;
 - d) the leasing or rental of moveable assets;
 - e) public private partnerships; and
 - f) the provision of municipal services by means of external mechanisms referred to in Chapter 8 of the Municipal Systems Act.
- 1.4 The standard includes the procurement of goods and services necessary for a new facility, as delivered to be occupied and used as a functional entity.

2 TERMS AND DEFINITIONS

- 2.1 For the purposes of this document, the definitions and terms given in SANS 10845-1, SANS 108452 and the following apply.

adjudication: a form of dispute resolution where, unlike other means of resolving disputes involving a third party intermediary, the outcome is a decision by a third party which is binding on the parties in dispute and is final unless and until reviewed by either arbitration or litigation

advance payment: sum of money paid to the contractor after the contract is signed but before work starts or goods or services or any combination thereof are supplied

alteration: changing, extending or modifying the character or condition of infrastructure

building: infrastructure that has the provision of shelter for its occupants or contents as one of its main purposes, usually partially or totally enclosed and designed to stand permanently in one place

building tuning: the review and fine-tuning of all the system settings made during the preoccupation commissioning, so that the re-commissioning which takes place at the end of the 12month tuning period results in settings which reflect how the occupants actually behave and the building responds to climatic conditions

construction: everything that is constructed or results from construction operations

control budget: the amount of money which is allocated or made available to deliver or maintain infrastructure associated with a project or package, including site costs, professional fees, all service and planning charges, applicable taxes, risk allowances and provision for price adjustment for inflation

contract management: applying the terms and conditions, including the agreed procedures for the administration thereof

contractor: person or organisation that contracts with the employer to provide goods or services or any combination thereof covered by the contract

defect: non-conformity of a part or component of the works to a requirement specified in terms of a contract

employer: organ of state intending to or entering into a contract with a contractor

framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

gate: a control point at the end of a process where a decision is required before proceeding to the next process or activity

gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

infrastructure:

- a) immovable assets which are acquired, constructed or which result from construction operations; or
- b) movable assets which cannot function independently from purpose-built immovable assets

infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

infrastructure procurement: the procurement of goods or services including any combination thereof associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

major capital project: an infrastructure project or a series of interrelated infrastructure projects on a single site having an estimated cost, including those

required for new facilities or systems to become fully operational, above a prescribed threshold

major public entity: a public entity included in the list in Schedule 2 to the Public Finance Management Act

metropolitan municipality: a Category A municipality as provided for in section 155 of the Constitution of the Republic of South Africa, 1996

national government business enterprise: a public entity included in the list in Schedule 3B to the Public Finance Management Act

operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

operations and maintenance support plan: a plan which establishes the organisational structure required for the operation and maintenance of the works over its service life, and the office, stores, furniture, equipment, Information and Communications Technology (ICT), engineering infrastructure and staff training requirements

order: an instruction to provide goods, services or any combination thereof under a framework agreement

organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

package: work which is grouped together for delivery under a single contract or an order

portfolio: collection of projects or programmes and other work that are grouped together to facilitate effective management of that work to meet a strategic objective

procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

procurement strategy: selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement

programme: the grouping of a set of related projects in order to deliver outcomes and benefits related to strategic objectives which would not have been achieved had the projects been managed independently

provincial government business enterprise: a public entity included in the list in Schedule 3D to the Public Finance Management Act

public private partnership: a commercial transaction between an organ of state and a private party in terms of which the private party:

- a) performs an institutional function on behalf of the organ of state or acquires the use of state property for its own commercial purposes; and
- b) assumes substantial financial, technical and operational risks in connection with the performance of the institutional function or use of state property; and
- c) receives a benefit for performing the institutional function or from utilising the state property, either by way of:
 - 1) consideration to be paid by the organ of state which derives from a revenue fund or, where an organ of state is a national government business enterprise or a provincial government business enterprise, from the revenues of such institution; or
 - 2) charges or fees to be collected by the private party from users or customers of a service provided to them; or
 - 3) a combination of such consideration and such charges or fees

quality: totality of features and characteristics of a product or service that bears on the ability of the product or service to satisfy stated or implied needs

refurbishment: modification and improvements to existing infrastructure in order to bring it up to an acceptable condition

rehabilitation: extensive work to bring infrastructure back to acceptable functional conditions, often involving improvements

repair: physical action taken to restore the required function of a faulty item

retention sum: sum retained for a certain period to offset costs which may arise from the contractor's failure to comply fully with the contract

service delivery agreement: an agreement between two or more organs of state setting out the terms and conditions and roles and responsibilities regarding infrastructure delivery which promotes and facilitates inter-institutional relations and the principles of participation, cooperation and coordination

service life: the period of time after acquisition or construction during which the infrastructure or its parts meet or exceed the performance demanded or expected to be fulfilled

stage: a collection of logically related activities in the infrastructure delivery cycle that culminates in the completion of a major deliverable

statutory permission: any relevant approval, consent or permission in terms of any legislation required to plan and deliver the infrastructure

target contract: a cost reimbursement contract in which a preliminary target cost is estimated and on completion of the work the difference between the target cost

and the actual cost is apportioned between the parties to the contract on an agreed basis.

value for money: the optimal use of resources to achieve intended outcomes

3 NORMATIVE REFERENCES

3.1 Acts of Parliament

The following referenced Acts of Parliament are indispensable for the application of this document:

- Architectural Profession Act, 2000 (Act No. 44 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Constitution of the Republic of South Africa, 1996
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Engineering Profession Act, 2000 (Act No. 46 of 2000)
- Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)
- Municipal Systems Act, 2000 (Act No. 32 of 2000)
- National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996) □ Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)
- South African Schools Act, 1996 (Act No. 84 of 1996)

3.2 Standards

The following referenced standards and the forms of contract identified in this standard are indispensable for the application of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

- South African Bureau of Standards, SANS 10845-1, *Construction procurement – Part 1: Processes, methods and procedures*
- South African Bureau of Standards, SANS 10845-2, *Construction procurement – Part 2: Formatting and compilation of procurement documentation*
- South African Bureau of Standards, SANS 10845-3, *Construction procurement – Part 3: Standard conditions of tender*
- South African Bureau of Standards, SANS 10845-4, *Construction procurement – Part 4: Standard conditions for the calling for expressions of interest*
- Standard for Uniformity in Construction Procurement, Construction Industry Development Board

4 CONTROL FRAMEWORKS

4.1 Control framework for infrastructure delivery management

4.1.1 General

4.1.1.1 The control framework for the management of infrastructure delivery shall comprise the applicable stages and gates as set out in Figure 1 and the key deliverables described in Table 1. Stages 3 to 9 may be omitted where the required work does not involve the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure. Stages 5 and 6 may be omitted if sufficient information to proceed to stage 7 is contained in the stage 4 deliverable. Decisions to proceed to the next stage shall at each gate, subject to the provisions of 4.1.1.2, be based on the acceptability or approval of the end-of-stage deliverable.

4.1.1.2 A stage shall only be complete when the deliverable has been approved or accepted by the person or persons designated in the institutional arrangements to do so. Activities associated with stages 5 to 9 may be undertaken in parallel or series, provided that each stage is completed in sequence.

4.1.1.3 The level of detail contained in a deliverable associated with the end of each stage shall be sufficient to enable informed decisions to be made to proceed to the next stage. In the case of stages 3 to 6, such detail shall, in addition, be sufficient to form the basis of the scope of work for taking the package forward in terms of the selected contracting strategy.

4.1.1.4 Prefeasibility and feasibility reports shall be required as end-of-stage deliverables for stages 3 and 4, respectively, where one or more of the following applies:

- a) the major capital project is required for:
 - 1) a major public enterprise where the total project capital expenditure exceeds R1,5 billion; or
 - 2) an organ of state subject to the Public Finance Management Act other than a major public enterprise where the total project capital expenditure exceeds R1,0 billion including VAT, or where the expenditure per year for a minimum of three years exceeds R250 million per annum including VAT;
- b) the project is not:
 - 1) a building project with or without related site works; or
 - 2) a process-based, somewhat repetitive or relatively standardized project where the risk of failing to achieve time, cost and quality objectives is relatively low; or

- c) the organ of state's infrastructure procurement and delivery supply chain management policy requires that prefeasibility and feasibility reports be produced during stages 3 and 4 respectively.

4.1.1.5 Stages 3 and 4 shall be repeated for each package if the acceptance at stage 4 is for the acceptance of a project comprising a number of packages which are to be delivered over time.

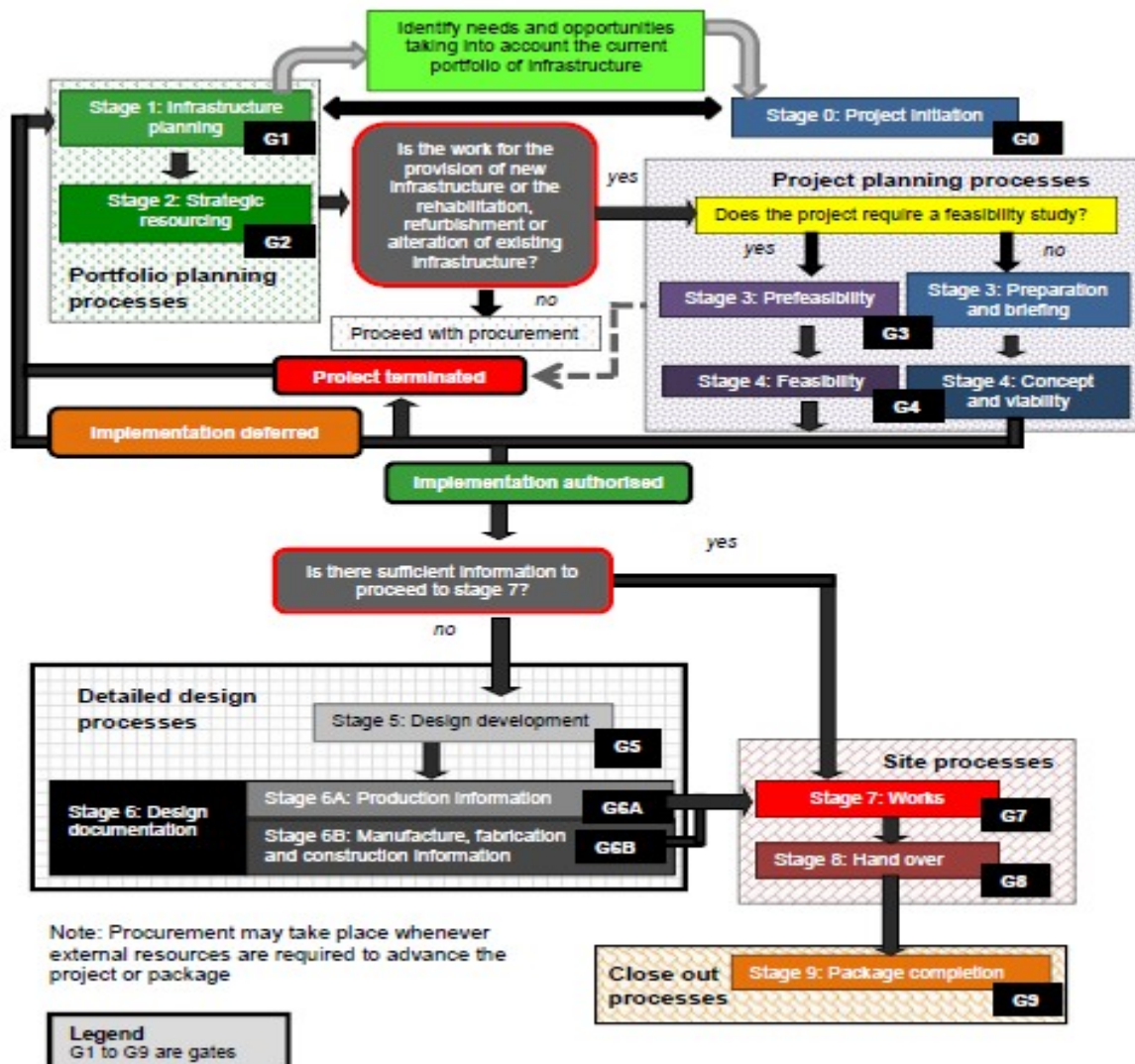


Figure 1: Stages and gates associated with the control framework for infrastructure delivery management

Table1: End-of-stage deliverables

Stage		End-of-stage deliverable	
No	Name		
0	Project initiation	An initiation report which outlines the high-level business case together with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope	
1	Infrastructure planning	An infrastructure plan which identifies and prioritises projects and packages against a forecasted budget over a period of at least five years	
2	Strategic resourcing	A delivery and/or procurement strategy which, for a portfolio of projects, identifies the delivery strategy in respect of each project or package and, where needs are met through own procurement system, a procurement strategy	
3	Prefeasibility	A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage	
	Preparation and briefing	A strategic brief which defines project objectives, needs, acceptance criteria and client priorities and aspirations, and which sets out the basis for the development of the concept report for one or more packages	
4	Feasibility	A feasibility report which presents sufficient information to determine whether or not the project should be implemented	
	Concept and viability	A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more packages	
5	Design development	A design development report which develops in detail the approved concept to finalise the design and definition criteria, sets out the integrated developed design, and contains the cost plan and schedule for one or more packages	
6	Design documentation	6A Production information	Production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either construction (where the constructor is able to build directly from the information prepared) or the production of manufacturing

		and installation information for construction
	6B Manufacture, fabrication and construction information	Manufacture, fabrication and construction information produced by or on behalf of the constructor, based on the production information provided for a package which enables manufacture, fabrication or construction to take place
7	Works	Completed works which are capable of being occupied or used
8	Handover	Works which have been taken over by the user or owner complete with record information
9	Package completion	Works with notified defects corrected, final account settled and the close out report issued

4.1.1.6 The infrastructure plan (stage 1), which is informed by demand management requirements as set out in 6.2, initiation reports (stage 0), decisions made during stages 3 and 4 and work in progress in stages 5 to 9, and the procurement strategy (stage 2) shall be reviewed and updated at least once a year.

4.1.1.7 An organ of state may, if it deems it necessary, add additional gates to the control framework presented in Figure 1.

4.1.1.8 The approval of the infrastructure plan and the securing of the necessary budget shall be obtained prior to advancing to stage 3. All subsequent stages shall only be proceeded with if the necessary budget is in place.

4.1.1.9 The approvals or acceptances at each gate shall be retained for record purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

4.1.2 Stage 0: Project initiation

4.1.2.1 Projects, or groups of projects having a similar high-level scope, which are appraised, shall address particular strategic needs or business opportunities which fall within the organ of state's legislated or sanctioned mandate.

4.1.2.2 Objective decision-making criteria based on factors such as those relating to strategic objectives, national, provincial or regional priorities, the level of stakeholder support, legislative compliance, risk considerations and financial justification shall be used to motivate the acceptance of a project into the infrastructure plan.

4.1.2.3 The initiation report for a project shall as a minimum:

- a) provide a project description and high-level scope of work;
- b) outline key issues and solution options that were interrogated;

- c) outline options that were evaluated;
 - d) indicate the high-level business case; and
 - e) provide the estimated project cost and indicative high-level schedule.
- 4.1.2.4** The decision-making criteria, findings, assumptions and recommendations shall be documented in the initiation report.
- 4.1.2.5** Stage 0 is complete when the initiation report is accepted.
- 4.1.3 Stage 1: Infrastructure planning**
- 4.1.3.1** The infrastructure plan for a portfolio of projects or packages which require implementation shall cover a period of not less than five years. Such a plan shall be:
- a) described by the high-level scope of work for each project, the proposed time schedule, the estimated total project cost and annual budget requirement, the geographical location, any known encumbrances and estimated timeframes for removing these encumbrances; and
 - b) aligned with all prescribed planning, budgeting, monitoring and reporting requirements.
- 4.1.3.2** Stage 1 is complete when the infrastructure plan is approved.
- 4.1.4 Stage 2: Strategic resourcing**
- 4.1.4.1** A delivery management strategy shall be developed following the conducting of a spend, organisational and market analysis. Such a strategy shall indicate how needs are to be met for each category of spend through one or more of the following:
- a) a public private partnership;
 - b) another organ of state on an agency basis;
 - c) another organ of state's framework agreement;
 - d) own resources; or e) own procurement system.
- 4.1.4.2** A procurement strategy shall, based on the spend, organisational and market analysis, document the selected packaging, contracting, pricing and targeting strategy and procurement procedure for all required goods or services or any combination thereof including professional services.
- 4.1.4.3** The procurement strategy shall include the rationale for adopting a particular option.

4.1.4.4 Organs of state who engage another organ of state to provide agency services shall develop a delivery management and procurement strategy covering the projects which are subject to an agency agreement (see 5.2), in consultation with that organ of state.

4.1.4.5 Stage 2 is complete when the delivery and procurement strategy is approved.

4.1.5 Stage 3: Preparation and briefing or prefeasibility

4.1.5.1 The strategic brief shall as necessary:

- a) confirm the scope of the package and identify any constraints, including those relating to occupational health and safety;
- b) establish the project criteria, including the performance and reliability requirements, design life, service life of components, function, maintenance and replacement requirements, mix of uses, scale, location, quality, value, time, safety, health, environment and sustainability;
- c) identify procedures, organisational structure, key constraints, statutory permissions (e.g. environmental, heritage, social, planning, building control), and utility approvals, policies (e.g. environmental, developmental, social, maintenance or facilities management) and strategies to take the package forward;
- d) identify risks that need to be mitigated;
- e) identify interfaces between packages as necessary; and
- f) establish the control budget for the package, ownership costs and schedule for the package or series of packages.

4.1.5.2 The prefeasibility study shall as necessary:

- a) document the owner or user requirements specification;
- b) shortlist the options that were considered;
- c) provide a preliminary design for study options;
- d) provide preliminary capital estimate and the proposed schedule; and e) present the study outcomes.

4.1.5.3 Stage 3 is complete when the prefeasibility report or the strategic brief, as required, is accepted.

4.1.6 Stage 4: Concept and viability or feasibility

4.1.6.1 The concept report shall as necessary:

- a) document the initial design criteria and design options or the methods and procedures required to maintain the condition of infrastructure for the package;
- b) establish the detailed brief, scope, scale, form and cost plan for the package;
- c) provide an indicative schedule for documentation and construction or maintenance services associated with the package;
- d) contain a site development plan or other suitable schematic layouts of the works;
- e) describe the statutory permissions, funding approvals or utility approvals required to proceed with the works associated with the package;
- f) include a baseline risk assessment for the package, and a health and safety plan which is required in terms of the requirements of the Construction Regulations issued in terms of the Occupational Health and Safety Act;
- g) contain a risk report linked to the need for further surveys, tests, other investigations and consents and approvals, if any, during subsequent stages and identified health, safety and environmental risk;
- h) contain an operations and maintenance support plan which establishes the organisational structure required for the operation and maintenance of the works resulting from the package or series of packages over its service life, and the office, stores, furniture, equipment, Information and Communications Technology (ICT), engineering infrastructure and staff training requirements;
- i) confirm the financial sustainability of the project; and
- j) establish the feasibility of satisfying the strategic brief for the package or series of packages within the control budget established during stage 3 and, if not, motivate a revised control budget.

4.1.6.2 A feasibility report shall as a minimum provide the following:

- a) details regarding the preparatory work covering:
 - 1) a needs and demand analysis with output specifications; and
 - 2) an options analysis;
- b) a viability evaluation covering:

- 1) a financial analysis; and
- 2) an economic analysis, if necessary;
- c) a risk assessment and sensitivity analysis;
- d) a professional analysis covering:
 - 1) a technology options assessment;
 - 2) an environmental impact assessment; and
 - 3) a regulatory due diligence; and
- e) implementation readiness assessment covering:
 - 1) institutional capacity; and
 - 2) a procurement plan

4.1.6.3 Stage 4 is complete when the feasibility report or the concept report, as required, is accepted.

4.1.7 Stage 5: Design development

4.1.7.1 The design development report shall as necessary:

- a) develop in detail the accepted concept to finalise the design and definition criteria;
- b) establish the detailed form, character, function and costings;
- c) define all components in terms of overall size, typical detail, performance and outline specification;
- d) describe how infrastructure, or elements or components thereof, are to function, how they are to be safely constructed, how they are to be maintained and how they are to be commissioned; and
- e) confirm that the package or series of packages can be completed within the control budget or propose a revision to the control budget.

4.1.7.2 Outline specifications shall be in sufficient detail to enable a view to be taken on the operation and maintenance implications of the design and the compatibility with existing plant and equipment.

4.1.7.3 Stage 5 is complete when the design development report is accepted.

4.1.8 Stage 6: Design documentation

4.1.8.1 Stage 6A (Production information) is complete when all the production information that is required to be accepted prior to being issued for construction, manufacturing or fabrication purposes has been accepted.

4.1.8.2 Stage 6B (Manufacture, fabrication and construction information) is complete when the manufacture, fabrication and construction information is accepted as being in accordance with the production information.

4.1.9 Stage 7: Works

Stage 7 is complete when:

- a) completion of the works is certified in accordance with the provisions of the contract; or
- b) the goods and associated services are certified as being delivered in accordance with the provisions of the contract.

4.1.10 Stage 8: Handover

4.1.10.1 The handover stage shall include as necessary the training of the end user's or the owner's staff in the operation of the delivered infrastructure.

4.1.10.2 The record information shall as relevant:

- a) accurately document the condition of the completed works associated with a package;
- b) accurately document the works as constructed or completed;
- c) contain information on the care and servicing requirements for the works or a portion thereof;
- d) contain information or instructions on the use of plant and equipment;
- e) confirm the performance requirements of the design development report and production information;
- f) contain certificates confirming compliance with legislation, statutory permissions and the like; and
- g) contain guarantees that extend beyond the defects liability period provided for in the package.

4.1.10.3 Record information shall as relevant provide those tasked with the operation and maintenance of infrastructure with the information necessary to:

- a) understand how the designers intended the works, systems, subsystems, assemblies and components to function;

- b) effectively operate, care for and maintain the works, systems, subsystems, assemblies and components to function;
 - c) check, test or replace systems, subsystems, assemblies or components to ensure the satisfactory performance of works, systems, subsystems, assemblies and components over time;
 - d) develop maintenance plans;
 - e) determine stock levels for components and assemblies that need to be regularly replaced; and
 - f) budget for the operation and maintenance of the works, systems, subsystems and components over time.
- 4.1.10.4** Arrangements shall be put in place to secure and safeguard the works from the time that the contractor's liabilities for damage to the works end until such time that the works are handed over to the end user or owner who shall accept such liabilities.
- 4.1.10.5** Stage 8 is complete when the end user or owner accepts liability for the works.
- 4.1.11 Stage 9:Close out**
- 4.1.11.1** The close out report for the package shall outline what was achieved in terms of at least the following:
- a) the performance parameters outlined in 12;
 - b) unit costs of completed work or major components thereof; and
 - c) key performance indicators relating to developmental objectives.
- 4.1.11.2** The close out report shall make suggestions for improvements on future packages of a similar nature. Such a report should also comment on the performance of the contractor and, if relevant, include building tuning or similar reports.
- 4.1.11.3** Stage 9 is complete when, as relevant, defects certificates or certificates of final completion are issued in terms of the contract, the final amount due to the contractor in terms of the contract is certified and the close out report is accepted.
- 4.1.12 Approval of high-value national and provincial major capital projects**
- 4.1.12.1** The approval process for major capital projects described in

- 4.1.12.2** to 4.1.12.6 shall apply to all national and provincial projects where the value of such projects including VAT exceeds:
- a) national and provincial departments and constitutional institutions: R7,5 billion
 - b) major public enterprise, national government business enterprise, provincial government business enterprise and other public entities, the lessor of:
 - 1) R10 billion; or
 - 2) 4% of the organ of state's total assets or, if applicable, 2% of the organ of state's total revenue as reflected in its latest audited financial statements.
- 4.1.12.2** The end-of-stage deliverables for stage 0 (initiation report) and stage 4 (feasibility report) in the control framework for the management of infrastructure delivery (see Figure 1) shall, after taking into account the comments and recommendations of the relevant treasury, be approved by:
- a) cabinet, in the case of national departments, constitutional institutions and public entities listed in schedules 2, 3A and 3B of the Public Finance Management Act; or
 - b) the executive council, in the case of provincial departments and public entities listed in schedules 3C and 3D of the Public Finance Management Act.
- 4.1.12.3** The end-of-stage deliverables for stage 3 (prefeasibility) shall, after taking into account the comments and recommendations of the relevant treasury, be approved by:
- a) the relevant member of the cabinet, in the case of national departments, constitutional institutions and public entities listed in schedules 2, 3A and 3B of the Public Finance Management Act; or
- the relevant member of the executive council, in the case of provincial departments and public entities listed in schedules 3C and 3D of the Public Finance Management Act.
- 4.1.12.4** The initiator of the inception, prefeasibility and feasibility reports shall submit such reports to the relevant treasury for comment prior to making a submission to cabinet, the relevant minister, executive council or relevant member of the executive council, as applicable. The relevant treasury shall within three weeks of receiving a report submit comments and recommendations to the initiator who may revise such reports in the light of the comments and recommendations made, and:

- a) request the relevant treasury to make comments and recommendations on the revised reports; or
- b) submit the report together with the latest version of the relevant treasury comments and recommendations for approval.

4.1.13 Gateway reviews

4.1.13.1 Gateway reviews for major capital projects above a threshold

4.1.13.1.1 All major capital projects having an estimated capital expenditure equal to or above the threshold established in Table 2 shall have a gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable. The review shall be initiated by the organ of state which intends implementing the project. The focus of such a review shall in the first instance be on the quality of the documentation, and thereafter on:

- a) deliverability (the extent to which a project is deemed likely to deliver the expected benefits within the declared cost, time and performance envelope);
- b) affordability (the extent to which the level of expenditure and financial risk involved in a project can be taken up on, given the organisation’s overall financial position, both singly and in the light of its other current and projected commitments); and
- c) value for money.

Table2: Thresholds for gateway reviews of major capital projects

Organ of state	Estimated cost inclusive of VAT
National department	R100 million
Provincial department or metropolitan municipality	R100 million
Municipality other than a metropolitan municipality	R50 million
Major public entity	R500 million
National government business enterprise Provincial government business enterprise	R250 million
Other	R100 million

4.1.13.1.2 A gateway review team shall comprise not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverable, and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review. Such a team shall be led by a person who has at least six years postgraduate experience in the planning of infrastructure projects and is registered either as a professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in terms of the Architectural Profession Act. The members of the team shall, as relevant,

have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.

4.1.13.1.3 The relevant treasury shall be notified of a proposed gateway review for a major capital project, three weeks prior to the conducting of such a review. Such notification shall be accompanied by a brief outline of the proposed project or package, the names and qualifications of the reviewers and the timeframes for the review. The relevant treasury may nominate additional persons to serve on the review team.

4.1.13.1.4 The gateway review team shall base its findings primarily on:

- a) the information contained in the end-of-stage deliverables;
- b) supplementary documentation, if any, provided by key staff obtained during an interview process; and
- c) interviews with key staff members and stakeholders.

4.1.13.1.5 The gateway review team shall issue a report at the conclusion of a gateway review which indicates the team's assessment of the information at the end of a stage and provides findings or recommendations on areas where further work may be undertaken to improve such information.

4.1.13.1.6 Aspects in the report shall be flagged as being: a) code red: team considers the aspect to pose a significant risk to the projector package; b) code amber: team considers the aspects which indicate a minor risk to the project or package; or c) code green: team considers the aspect to have been given adequate consideration to the extent that it is unlikely to jeopardise the success of progressing to the next stage, or minor adjustments may be required before proceeding.

4.1.13.1.7 The contents of the gateway review report shall be taken into account when accepting the stage 4 deliverable. A stage 4 deliverable shall not be accepted until such time that all code red risks have been addressed in the stage 4 end-of-stage deliverable.

4.1.13.2 Gateway reviews initiated by the relevant treasury

4.1.13.2.1 A relevant treasury may at any time institute a gateway review of any of the end-of-stage deliverables associated with the control framework, irrespective of the estimated cost of a project. The focus of such a review shall be determined by the relevant treasury. The implementer of a project shall be notified of the review and its focus at least three weeks prior to the conducting of the review.

4.1.13.2.2 The implementer shall provide a person to lead the review and one other person to serve on the team, both of whom satisfy the requirements of 4.1.13.1.2.

4.1.13.2.3 The gateway review shall be conducted substantially in accordance with the provisions of 4.1.13.1.4 to 4.1.13.1.6.

4.2 Control framework for infrastructure procurement

4.2.1 General

4.2.1.1 Infrastructure procurement shall be implemented in accordance with the provisions of the control framework indicated in Figure 2 which contains:

- a) procurement gates;
- b) framework agreement gates;
- c) reporting points, where applicable, for interfacing with the Construction Industry Development Board's (CIDB) register of projects; and
- d) a gate relating to the interface with a financial management system.

4.2.1.2 The activities associated with the control framework indicated in Figure 2 are set out in Tables 3 and 4 whenever a negotiated, competitive selection or competitive negotiations procedure is applied, with the exception of the shopping procedure. Procurement Gates 6 and 7 may be combined in the case of the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure.

4.2.1.3 The level of detail contained in the documentation upon which a decision is made at a gate shall be sufficient to enable informed decisions to be made to proceed to the next activity or to undertake a particular procedure.

4.2.1.4 The approvals or acceptances at each gate shall be retained for record and audit purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

4.2.2 Specific requirements relating to the review of procurement documents

4.2.2.1 The approval of procurement documents at Procurement Gate 3 or Framework Agreement Gate 2 shall be based on the contents of a procurement documentation review report. Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:

- a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape

architect or a professional landscape technologist in terms of the Landscape Architectural Profession;

- b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or
- c) a professional quantity surveyor in terms of the Quantity Surveying Professions Act.

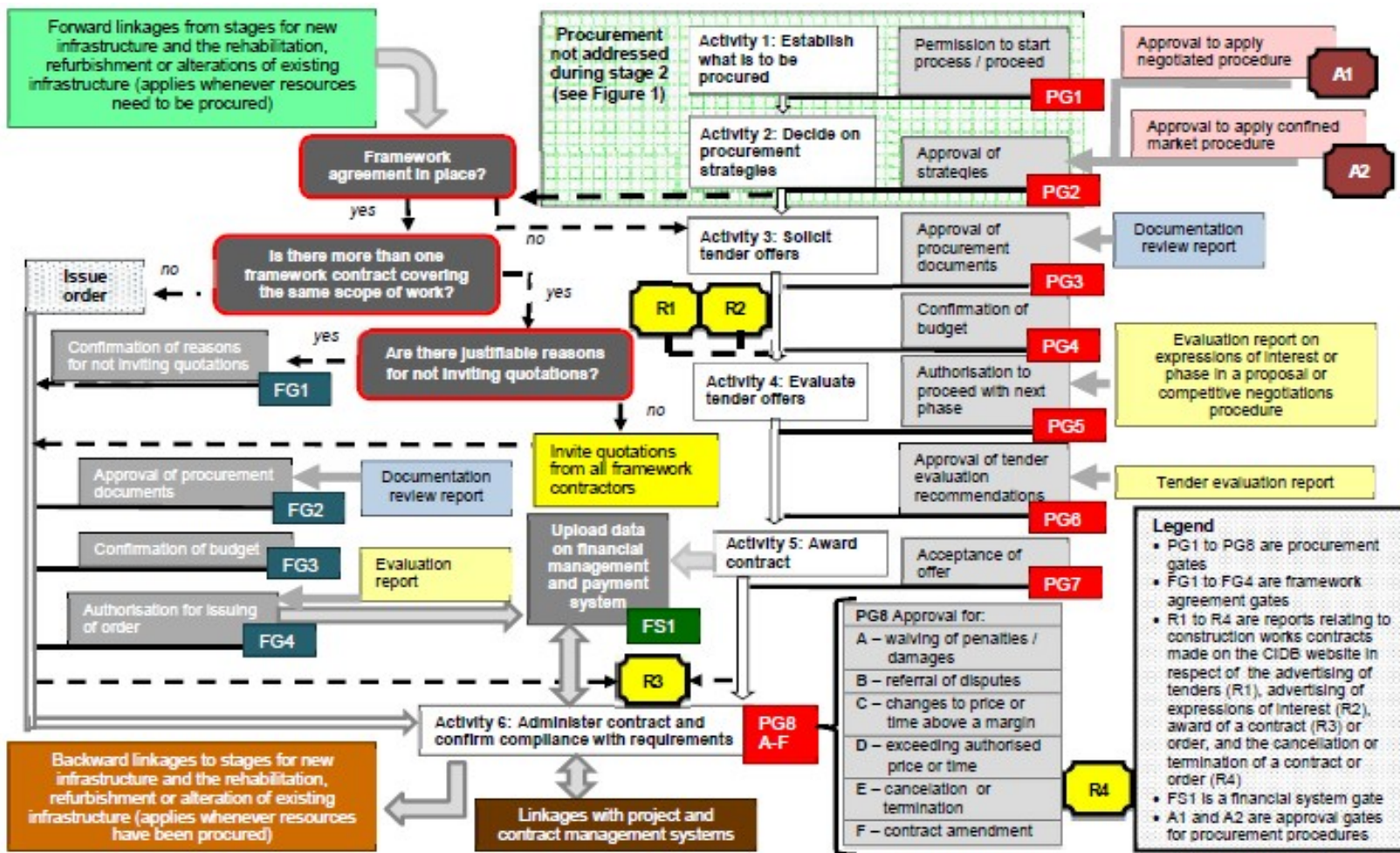


Figure 2: Control framework for procurement (acquisition and contract management) processes

Table3: Procurement activities and gates associated with the formation and conclusion of contracts above the threshold for the quotation procedure

Activity		Sub-Activity*		
1	Establish what is to be procured (Applies only to goods and services not addressed in a procurement strategy developed in terms of 4.1)	1.1	Prepare broad scope of work for procurement	
		1.2	Estimate financial value of proposed procurement	
		1.3 PG1	Obtain permission to start with the procurement process	
2	Decide on procurement strategy (Applies only to goods or services not included in a procurement strategy developed in terms of 4.1)	2.1	Establish opportunities for using procurement to promote developmental procurement policies, if any	
		2.2	Establish contracting and pricing strategy	
		2.3	Establish targeting strategy	
		2.4	Establish procurement procedure	
		2.5 PG2	Obtain approval for procurement strategies that are to be adopted, including specific approvals to approach a confined market or the use of the negotiation procedure	
3	Solicit tender offers	3.1	Prepare procurement documents	
		3.2 PG3	Obtain approval for procurement documents	
		3.3 PG4	Confirm that budgets are in place	
		3.4	Invite: • tender offers; or • expressions of interest (qualified procedure or restricted competitive negotiations procedure)	
		3.5	Receive submissions	
		3.6	Open and record submissions received	
4	Evaluate tender offers	4.1	Qualified procedure, proposal procedure or competitive negotiations procedure only	Evaluate and prepare evaluation report on submissions received
		4.2 PG5		Obtain authorization to proceed with next phase of tender process
		4.3		Invite tender offers from qualified respondents or selected tenderers
		4.4		Open and record submissions received and, if necessary, repeat 4.1 to 4.4
		4.5	Evaluate tender offers and prepare a tender evaluation report	
		4.6 PG6	Confirm recommendations contained in the tender evaluation report	
5	Award contract	5.1	Notify unsuccessful tenderers of outcome	
		5.2	Compile contract document	
		5.3 PG7	Award contract	
		5.4	Capture contract award data on management systems	
		5.5 GF1	Upload data in financial management and payment system	
6	Administer contracts and confirm compliance with requirements	6.1	Administer contract in accordance with the terms and provisions of the contract	
		6.2	Confirm compliance with requirements	
		6.3	Capture contract completion / termination data	
		6.4 PG8A	Obtain approval to waive penalties or low performance damages	
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator, or for final settlement to an arbitrator or court of law	
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment	

			for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively
		6.8 PG8E	Obtain approval to cancel or terminate a contract
		6.9 PG8F	Obtain approval to amend a contract
		6.10	Close out the contract

* Shaded cells indicate the presence of a procurement gate

Table4: Procurement activities and gates associated with the issuing of an order in terms of a framework agreement

Activity*	
1 FG1	Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work
2	Prepare procurement documents
3 FG2	Obtain approval for procurement documents
4 FG3	Confirm that budgets are in place
5	Quotations amongst framework contractors not invited: Issue draft order documentation and consult with contractor and prepare evaluation report Quotations amongst framework contractors invited: Invite quotations from all framework contractors participating in the agreement, receive and evaluate submissions and prepare evaluation report
6 FG4	Authorize the issuing of the order
7	Log order onto management system
8	Issue order to contractor
9	Notify issuing of order to oversight person
10	Administer orders in accordance with contract and confirm compliance with requirements

*Shaded cells indicate the presence of a framework gate

4.2.2.2 The review of procurement documents associated with the negotiation, competitive selection or competitive negotiation procedure shall confirm that:

- a) the procurement documents have been formatted and compiled in accordance with the requirements of SANS 10845-2, this standard and, where applicable, the CIDB Standard for Uniformity in Construction Procurement, and are aligned with the approved procurement strategy;
- b) appropriate prompts for judgement are included in procurement documents in accordance with the requirements of SANS 10845-1 whenever quality is evaluated and scored in the evaluation of calls for expressions of interest or tender offers;
- c) the selected form of contract in the case of a tender that is solicited is in accordance with the requirements of 14.5.3 and any standard templates required by the organ of state have been correctly applied;
- d) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract, conditions of tender or conditions for the calling for expressions of interest, as relevant, not provided for in the organ of state's approved templates;
- e) the selected submission data in the case of a call for an expression of interest, or tender data and contract data options in the case of a tender, are likely to yield best value outcomes;
- f) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided, and satisfies the drafting requirements of SANS 10845-1;
- g) the submission or returnable documents are necessary and will enable submissions to be evaluated fairly and efficiently; and
- h) the risk allocations in the contract and pricing data are appropriate.

4.2.2.3 The review of procurement documentation associated with the issuing of an order shall confirm that:

- a) any standard templates required by the organ of state have been correctly applied;

- b) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract not provided in the organ of state's approved templates or the contract;
- c) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided;
- d) the provisions for competition amongst framework contractors, if relevant, and the selected options are likely to yield best value outcomes; and
- e) the risk allocations are appropriate.

4.2.2.4 The review conducted to confirm the provisions of 4.2.2.2 and 4.2.2.3 shall identify sections, if any, which require amendments or improvements.

4.2.2.5 The documentation review report shall:

- a) list the names and qualifications of the team members;
- b) confirm that the documents are in accordance with the requirements of this standard;
- c) capture any comments or opinions which the team may wish to express; and
- d) recommend that the procurement documents be accepted with or without modifications.

4.2.3 Specific requirements relating to the evaluation of submissions

4.2.3.1 The authorization to proceed with the next phase (Procurement Gate 5), the approval of tender evaluation recommendations (Procurement Gate 6) and the authorization for the issuing of an order (Framework Agreement Gate 4) shall be based on the contents of an evaluation report.

4.2.3.2 The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:

- a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;
- b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;
- c) a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- d) a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or
- e) a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

4.2.3.3 All communications with respondents and tenderers during the procurement process to obtain information and clarifications shall be made in writing through the employer's agent named in the submission or tender data. Records of all communications in this regard shall be made and retained for auditing purposes.

4.2.3.4 Submissions shall be evaluated strictly in accordance with the provisions of the procurement documents (see Annex C of SANS 10845-3 and Annex C of SANS 10845-4, as relevant). Where quality is evaluated, at least three persons who satisfy the requirements of 4.2.3.2 shall undertake such evaluation. Quality shall be scored in terms of the prompts for judgement, with fixed scores assigned to each prompt, either individually and averaged or collectively, as appropriate.

4.2.3.5 Those involved in the evaluation of submissions shall record their scores for quality against each of the criteria during the process of evaluation, preferably with notes to substantiate the scores. Individuals should record their own markings on a separate sheet. These documents shall be placed on file as an audit trail and may form the basis of any debriefing that takes place.

4.2.3.6 Evaluation reports shall be prepared in accordance with the content headings and relevant guidelines contained in Tables 5 or 6, with modifications as necessary where a two-envelope, two-stage process or competitive negotiation procedure is followed. Such reports shall contain extracts from the procurement documents which are linked to the evaluation of submissions, such as eligibility criteria, criteria associated with evaluation methods, referencing, quality criteria (including prompts for judgement), the method by which tenders are reduced to a common base

and lists of returnable documents. Such references shall enable those who are tasked with making decisions based on these documents to do so without having to refer back to submissions in order to understand the content of the report.

4.2.3.7 An evaluation report which recommends the award of a contract shall contain in annexures the reports, if any, of prior processes, e.g. a call for an expression of interest, a round in a competitive negotiation procedure or a stage in a competitive selection procedure.

4.2.3.8 An evaluation report covering the application of the negotiated procedure for the award of a contract or the issuing of an order, shall confirm that the negotiated amounts are market-related and represent value for money. Where the total of the prices associated with a target cost contract is negotiated, the total of prices shall be certified as being fair and reasonable by a professional quantity surveyor registered in terms of the Quantity Surveying Profession Act or a professional engineer registered in terms of the Engineering Profession Act.

Table 5: Content of an evaluation report relating to an expression of interest

Section heading		Subsection heading		Guidelines for the preparation of content
1	Summary	-	-	Provide an overview of the parameters associated with the expression of interest, preferably in tabular form, including the following as relevant: <ul style="list-style-type: none"> • Contract / project no and contract / project description • Purpose of the expression of interest • Media in which advertisement was placed • Advertisement date(s) • Estimated value of contract or orders which are likely to be awarded during the term of the contract, if applicable • Date from which documents were available • Number and title of addenda issued • Closing date • Details of clarification meeting, including date and place, if any • Number of submissions made • Number of responsive submissions received • Recommended outcomes of the process
2	An overview of the evaluation process	-	-	Provide an overview of the procurement process, indicating the eligibility criteria that were applied. State points relating to evaluation criteria, prompts for judgement and weightings relating thereto. Reproduce the list of returnable documents. Provide, if applicable, an overview as to how the quality aspects of the submissions were scored. Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.
3	Evaluation process	3.1	Submissions received	List the submissions that were received. Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late submissions.
		3.2	Completeness of submissions received	Compare submissions received against the list of returnable documents. State if any submissions were incomplete and outline how clarifications were obtained. Confirm if respondents took into account addenda, if any, in their submission.
		3.3	Responsiveness of respondents	Identify which of the submissions received were non-responsive and provide clear reasons for declaring respondents to be nonresponsive.
		3.4	Evaluation of submissions	Record the manner in which submissions were evaluated. Record, where relevant, and preferably in a tabular form, the scores for each of the evaluation criteria and the total score (excluding those who failed to score above a threshold, if any).
		3.5	Reasons for disqualification on the grounds of corrupt or fraudulent practice	State reasons if applicable
		3.6	Compliance with legal requirements	Confirm as relevant that respondents are not barred from participation, tax matters are in order, are registered, etc.
4	Tender recommendation	-	-	Make a recommendation for the outcome of the process, e.g. admit to a database or prequalify / shortlist respondent to be invited to submit tender offers. Record the names and qualifications of those who performed the evaluation
5	Confirmation of recommendations	-	-	Make provision for the confirmation or amendment of the recommended action.

Table 6: Content of an evaluation report relating to the solicitation of tender offers

Section heading		Subsection heading		Guidelines for the preparation of content
1	Summary	-	-	<p>Provide an overview of the parameters associated with the solicitation of the tender, preferably in tabular form, including the following as relevant:</p> <ul style="list-style-type: none"> • Contract / Project / Tender number • Contract description • Contract duration • Purpose of tender • Contracting strategy, pricing strategy, form of contract and targeting strategy • Procurement procedure and method of tender evaluation • Tender validity expiry date • Alternative tenders (not permitted or state conditions under which permitted) • Media in which advertisement was placed, if not a nominated or qualified competitive selection procedure or a restricted competitive negotiations procedure • Date of advertisement(s) • Date from which documents were available • Details of clarification meeting, including date and place, if any • Tender closing date • Number and title of addenda issued • Number of tenders received • Number of responsive tenders • Recommended tender(s) • Cost estimate (budget), unless a framework contract • Lowest responsive and realistic tender used for comparative purposes (tender price, specific goals, etc.)
2	An overview of the tender evaluation process	-	-	<p>Provide an overview of the procurement process, indicating the eligibility criteria that were applied and the evaluation criteria. State specific goals and points relating to preferences, as well as any quality evaluation criteria, prompts for judgement and weightings relating thereto.</p> <p>Reproduce the list of returnable documents.</p> <p>Provide an overview as to how the quality aspects of the tender were scored.</p> <p>Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.</p>
3	Tender evaluation process	3.1	Tender offers received	<p>List the tender offers that were received. Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late tenders and the declaring</p>

				of submissions non-responsive on the grounds that they were not received in the prescribed manner.
		3.2	Completeness of tenders received	Compare tender submissions received against list of returnable documents. State if any tender submissions received were incomplete and indicate what was not complete. Indicate what steps were taken to make incomplete tenders complete, only where this does not affect the competitive position of the tenderer in question. List all communications with tenderers. Confirm if tenderers took into account addenda, if any, in their tender submission.
		3.3	Responsiveness of tenderers	Identify which of the tenders received were non-responsive and provide clear reasons for declaring such tenders to be nonresponsive.
		3.4	Evaluation of tender offers	Record the manner in which tenderers were reduced to a common basis: Record preferably in a tabular form: <ul style="list-style-type: none"> • the scores for each of the evaluation criteria; • the total score (excluding those who failed to score above a threshold); • the pricing parameters that were tendered to enable compensation events to be evaluated of contractors to be paid in cost reimbursable or target cost contract. Provide reasons for not granting a preference or considering a financial offer to be unrealistically low.
		3.5	Reasons for disqualification on the grounds of corrupt or fraudulent practice	State reasons if applicable.
		3.6	Compliance with legal requirements	Confirm as relevant that tenderers are not barred from participation, tax matters are in order, are registered, etc.
		3.7	Acceptability of preferred tenderer	State any reasons why the tenderer with the highest points should not be considered for the award of the tender, e.g. commercial risk, restrictions, lack of capability and capacity, legal impediments, etc. Also state any arithmetical corrections that have been made.
4	Outcome of the evaluation	-	-	Make a recommendation for the award of the tender and state any qualifications / conditions associated with such an award. Record the names and qualifications of those who performed the evaluation.
5	Confirmation of recommendations	-	-	Make provision for the recommendations for the award of the tender to be confirmed or amended.

4.2.4 Authorisation to proceed with the next phase of the procurement process

The person authorized to enable a procurement process to progress to the next phase of the process shall review the evaluation report and either refer the report back to those responsible for such a report or authorize the procurement process to proceed to the next phase after:

- a) confirming that the report is complete and addresses all considerations necessary to make a decision;
- b) confirming the validity and reasonableness of reasons provided for the elimination of tenderers or respondents; and
- c) considering commercial risks and identifying any risks that have been overlooked which warrant investigation prior to taking a final decision.

4.2.5 Authorisation for issuing of an order

The person responsible for authorizing an order shall, prior to authorizing the issuing of an order:

- a) confirm that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and
- b) consider the recommendations of the evaluation report where competition amongst framework contracts takes place (see 14.3.6) or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either confirm the reasonableness of such recommendations and sign the acceptance of the order, or refer the evaluation report and recommendation back to those who prepared it.

5 INSTITUTIONAL ARRANGEMENTS

5.1 Organs of state who are responsible for infrastructure delivery shall establish a suitable infrastructure procurement and delivery supply chain management policy to implement this standard. Such a policy shall as a minimum:

- assign responsibilities for approving or accepting deliverables associated with a gate in the control framework or authorizing a procurement process or procedure;
- establish committees which are required by law, or equivalent quality management and governance arrangements;
- establish delegations for the awarding of a contract or the issuing of an order; and
- establish ethical standards for those involved in the procurement and delivery of infrastructure.

5.2 An agency agreement shall be entered into between organs of state where responsibilities for implementation are delegated or assigned, or with a school governing body, established in terms of section 16 of the South African Schools Act, that makes a substantial financial contribution to a project. Such an agreement shall:

- a) establish principles and requirements relating to the recovery of cost associated with the rendering of the service, claims for payments made on an agency basis including the release of retention sums, the settling of claims for payment and the documentation required to accompany such claims; and
- b) include a service delivery agreement which as relevant sets out at least the following:
 - 1) overall aims, objectives and priorities;
 - 2) governance structures;
 - 3) reporting requirements;
 - 4) the scope of the services to be performed by the implementer during each financial year;
 - 5) the projects and packages which are included in the infrastructure plan and which are to be delivered, and the timeframes for doing so;
 - 6) the roles and responsibilities of the parties to the agreement, including requirements for the engagement and management of stakeholders;
 - 7) delegations to the implementer to accept end-of-stage deliverables on an agency basis;
 - 8) contributing resources, including human resources; and
 - 9) dispute resolution procedures.

5.3 The agency agreement shall be reviewed annually and amended or revised as necessary.

5.4 The implementer's supply chain management system shall be used to procure goods or services, or any combination thereof, for infrastructure covered by the agency agreement referred to in 5.2.

6 DEMAND MANAGEMENT

6.1 The demand management system shall be aimed at ensuring that goods and services, and any combination thereof required to support strategic and operational commitments, are delivered at the right price, time and place, and that the quality and quantity of such goods or services satisfy needs.

6.2 The demand for infrastructure delivery shall be managed through:

- a) the service life plans which;
 - 1) are based on:
 - an assessment of current performance against desired levels of service or functionality; and
 - a needs analysis informed by factors such as policies, norms and standards, condition assessments, functional performance, demographic trends, current and forecasted levels of optimisation; and
 - 2) reflect a cost estimate for the life cycle activities comprising acquisition, operations, maintenance, refurbishment, rehabilitation or alteration as relevant, over a minimum period of five years; and
- b) infrastructure plans which, as a minimum, summarise the service life plans and provide a credible forecast of current and net demand for services or requirements for functionality over a period of not less than ten years.

6.3 Consideration shall, where appropriate, be given to:

- a) alternative service delivery methods or means of satisfying needs which do not require infrastructure to implement or reduce the demand for infrastructure; and
- b) the disposal of infrastructure that is surplus to requirements.

6.4 Projects shall, wherever possible, be delivered in accordance with established norms and standards which are designed to yield value for money.

6.5 Identified projects shall be prioritised and budgeted for in an infrastructure plan (see 4.1.2.2).

6.6 Costs shall be proactively managed through the setting and proactive monitoring of control budgets for projects through the project planning, detailed design and site processes indicated in Figure 1.

7 ACQUISITION MANAGEMENT

7.1 Procurement of new infrastructure and the rehabilitation, refurbishment or alteration of existing infrastructure

7.1.1 Budgets submission for budget approval to advance a project or package relating to the delivery or planned maintenance of infrastructure in a financial year shall be broken down into the stages (see Figure 1) which have been completed.

7.1.2 Implementation plans relating to new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure which are aligned with the accepted delivery and procurement strategy, shall be developed for each project or package which is to be delivered in a financial year. Such a plan shall as necessary:

- a) identify the objectives of each project or programme of projects;
- b) identify the scope, budget and schedule for each project or package;
- c) outline the procurement strategy in respect of each project or package;
- d) provide a time management plan for each project, i.e. the baseline against which progress towards the attainment of milestone (key deliverables) target dates can be measured;
- e) provide the projected budget and cash flows which will enable planned and actual expenditure to be compared and revisions to the budget to be approved, and multiple project budgets to be managed;
- f) document the key success factors and the key performance indicators which need to be measured, monitored and evaluated;
- g) contain a procurement plan which indicates the timeline for advertising and closing of tenders, and the obtaining of gate approvals leading up to the award of the contract or the issuing of an order;
- h) identify the major risks and how such risks are to be mitigated or managed;
- i) indicate how quality requirements and expectations are to be met and managed;
- j) outline the controls and measures which will address health, safety, socio-economic or environmental risks;

- k) provide a communication plan which determines the lines of communication and the key activities associated therewith; and
- l) indicate the assigned internal and external resources with implementation responsibilities.

7.1.3 Financial data shall be gathered to enable a financial report to be generated at regular intervals which:

- a) lists the packages which have completed stage 7 (works) together with actual expenditure;
- b) indicates the following for packages which have advanced beyond stage 4 (concept and viability or feasibility) but have not yet completed stage 7 (works):
 - 1) budget for the financial year;
 - 2) actual expenditure to date;
 - 3) remaining budget for the year;
 - 4) forecast expenditure for the remainder of the year; and
 - 5) forecast over/under expenditure for the year;
- c) indicates professional fees associated with a project or package; and
- d) enables “actual” versus “planned” expenditure to be compared.

7.2 Procurement other than new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure

7.2.1 Annual procurement plans shall be prepared to cover the procurement of goods or services, or any combination other than that relating to new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure which exceed the threshold for quotations.

7.2.2 Annual procurement plans required in accordance with 7.2.1 shall contain the following information for all proposed tenders for a financial year where the proposed procurement is estimated to equal or exceed the threshold for quotations.

- a) a description of the goods, services or works;
- b) the estimated value of such goods, services or works, including all applicable taxes;
- c) the envisaged date of advertisement;

- d) the envisaged closing date for tenders; and
- e) the envisaged date of award.

7.3 Use of an organ of state's framework agreement by another organ of state

7.3.1 An organ of state may request in writing to make use of one or more framework contracts entered into by another organ of state. Such a request, signed by the accounting officer or accounting authority of that organ of state, shall:

- a) outline the scope and anticipated quantum of work associated with the work that is required;
- b) provide a motivation for the use of the framework agreement; and
- c) detail the benefit for the state to be derived from making use of the framework agreement.

7.3.2 The accounting officer or accounting authority may approve a request made in terms of 7.3.1 to make use of the organ of state's framework contract, conditionally or unconditionally, if:

- a) the framework agreement was put in place following a competitive tender process;
- b) confirmation is obtained that the framework contract is suitable for the intended use, and the required goods, services and works fall within the scope of such contract;
- c) the framework contractor agrees in writing to accept an order from that organ of state;
- d) the organ of state undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and
- e) the term of the framework agreement does not expire before the issuing of the required orders.

8 CONTRACT MANAGEMENT

8.1 The person responsible for the administration of the contract or an order on behalf of the employer shall:

- a) act as stated in the contract that is entered into, subject to any constraints that may be imposed by the employer or the employer's supply chain management policy for infrastructure procurement and delivery management, using any standard templates that are provided for communications required in terms of the contract;
- b) provide at least the following data within two weeks of the award of a contract or an order for capture on a contract management system:
 - 1) name and contract particulars;
 - 2) the programme or project number, as relevant;
 - 3) the contractual dates associated with the contract or order;
 - 4) except in the case of very low value goods or services contracts, a cash flow forecast;
 - 5) the agreed total of prices or forecasted total of prices; and
 - 6) where applicable, whether or not provision is made for price adjustment for inflation, delay damages, performance bond and retention, and if so, what the quantum or estimated quantum of such provisions is;
- c) retain on a contract file, copies of certificates of insurances, bonds and the like;
- d) make an assessment of the amount due to the contractor where required in terms of the contract, or review the contractor's assessment of the amount due and timeously certify payment;
- e) revise the estimates for price adjustment for inflation where provided for, prepare an updated cash flow for the remainder of the contract based on the contractor's schedule, and capture these amounts together with the amounts due to the contractor and the retention amounts, if relevant, on a monthly basis;
- f) provide the revised total of the prices or completion date or delivery date for the contract, or an order, within one week of a contractor revising a forecast of the total of prices, or an event being implemented, which in terms of the contract increases the total of prices or delays delivery or completion, for capture on a contract management system;
- g) manage, if relevant, the interface between the contractor and those responsible for providing client inputs where a management, design and construct or develop and construct contracting strategy is utilized;
- h) develop and maintain a contract risk register;

- i) provide a monthly report on events which, in terms of the contract, cause the total of prices to increase or the contract completion date to be changed;
- j) report all insurance claims made within one week of the claim being lodged; and
- k) make inputs, if applicable, to the close out report in stage 9, including those relating to cost norms, contractor performance and the attainment, or not, of projective objectives.

8.2 The person responsible for administering the contract shall as necessary report on a monthly basis on the following:

- a) the attainment of key performance indicators, if any, provided for in the contract or required by the sponsor of the project or in terms of legislation;
- b) the number of improvement, contravention and prohibition notices issued by the health and safety agent; and
- c) incidents reportable in terms of the Construction Regulations issued in terms of the Occupational Health and Safety Act, briefly indicating the nature of the incident.

8.3 The person responsible for the administration of a contract or order relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, shall be registered in a professional category of registration in terms of the Architectural Profession Act, the Engineering Profession Act, Landscape Architectural Profession Act, the Project and Construction Management Professions Act or Quantity Surveying Profession Act.

9 LOGISTICS MANAGEMENT

9.1 Materials, equipment and plant may be procured and issued free of charge to a contractor for incorporation into the works. Care shall be taken to ensure that suitable arrangements or measures are in place to minimise:

- a) loss or damage to such items until the contractor has received and accepted them; and
- b) delays in supply which can result in increases in the contractor's prices for providing the works.

9.2 Procurement processes associated with long lead items of plant, equipment and materials may be initiated before the conclusion of stage 4 (concept and viability or feasibility). No contract may be entered into following such processes until stage 4 has been concluded and the budgets are in place to proceed.

10 DISPOSAL MANAGEMENT

- 10.1** A disposal committee shall decide how best to undertake disposals relating to the demolition or dismantling of infrastructure or parts thereof, and the disposal of unwanted, redundant or surplus materials, plant and equipment.
- 10.2** Disposals shall be proceeded with only after the feasibility and desirability of using one or more of the following alternative disposal strategies have been considered:
- a) transfer to another organ of state, business unit or a charitable organization at market-related value or free of charge;
 - b) recycling or re-use of component materials; or
 - c) disposal by means of dumping at an authorized dump site, burning or demolition.
- 10.3** The reasons for adopting a disposal strategy shall be recorded prior to proceeding with such disposal.

11 REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION

- 11.1** The implementer shall report to the relevant treasury within one month of the award of a contract or the issuing of an order, all engineering and construction, supply, service and professional service contracts that are awarded, or orders that are issued, should the total of prices, including VAT, exceed the thresholds contained in Table 7. Such a report shall indicate the following:
- a) the title and number of the contract or order;
 - b) a brief outline of the scope;
 - c) the total of the prices at the time that a contract is concluded or an order issued;
 - d) the time for completion or delivery; and
 - e) the procurement procedure that was used to put the contract in place, or in the case of a framework agreement, whether or not competition amongst framework contractors was reopened.

Table7: Thresholds, including VAT, for reporting the award of a contract or an order to the relevant treasury

Organ of state	Value of contract or order including VAT			
	Services contract	Professional services	Supply	Engineering and construction works
National department	R75 million	R75 million	R100 million	R100 million

Provincial department or metropolitan municipality	R50 million	R50 million	R100 million	R100 million
Municipality other than a metropolitan municipality	R25 million	R25 million	R50 million	R50 million
Major public entity	R250 million	R250 million	R500 million	R500 million
National government business enterprise	R125 million	R125 million	R250 million	R250 million
Provincial government business enterprise				
Other	R50 million	R50 million	R100 million	R100 million

11.2 Organs of state other than major public entities, national government business enterprises and provincial business enterprises shall report to the relevant treasury where a contract was awarded to a tenderer other than the tenderer recommended by a committee, giving reasons for such award.

11.3 The implementer shall prepare an annual report which contains the following in respect of a financial year and submit such report to the relevant treasury within two months after the financial year end:

- a) the information contained in the performance report prepared in accordance with section 12 of this standard;
- b) a brief progress report which reflects progress in terms of time and cost in relation to the time for completion or delivery and the total of prices at the award of the contract or the issuing of an order, and, if relevant, stages completed, on all contracts and orders above the threshold stated in Table 7;
- c) an outline of the scope, value and duration of all contracts which were awarded as a result of unsolicited proposals, together with a brief motivation for such award;
- d) particulars relating to:
 - 1) the cancellation or termination of contracts, together with the reasons therefore;
 - 2) the use of a negotiated or confined market procurement procedure to enter into a supply, services, professional services or engineering and construction contract in excess of R10,0 million, including VAT, together with a brief motivation for doing so;
 - 3) the evoking of the emergency procurement procedures where the value of the ensuing transaction exceeded R10,0 million, including VAT, together with a brief overview of the emergency and the outcomes of the procurement;

- 4) disputes arising from contracts which have been referred to arbitration or a court of law for settlement; and
- 5) contracts where the approval has been granted to increase the total of the prices or the time for completion at Procurement Gate 8D (see Figure 2 and Table 3).

12 ASSESSMENT OF SUPPLY CHAIN MANAGEMENT PERFORMANCE

An annual performance report shall be prepared for each portfolio of projects involving infrastructure delivery within two months of the financial year end which reflects performance in relation to at least the following:

- a) expenditure incurred in infrastructure delivery for the financial year, against the budget made available to cover such expenditure at the start of the year;
- b) the average variance between planned and achieved completion of stages of all packages and projects;
- c) an overview of all packages where stage 7 was completed within the financial year and the total of the prices and the time for completion at the start of the contract or when the order was issued exceed 20%, together with a brief explanation as to why such increases occurred;
- d) the average time taken to award a contract, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure to a decision being taken to award the contract;
- e) the average time taken, in respect of all packages covered in the report, to complete stage 8 measured from the time that stage 7 is completed;
- f) the average difference between the total of the prices in the payment certificate that was issued following the completion of stage 7, and the total of the prices at the end of stage 9;
- g) the average time taken to award a contract above the threshold for quotations, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure, to the acceptance of the tender evaluation report; and
- h) the average number of days that payment is later than that required under the terms of a contract.

13 RISK MANAGEMENT AND INTERNAL CONTROL

13.1 Risk management

13.1.1 Risk registers shall be established and maintained to enable risk mitigation relating to infrastructure procurement and delivery management to be proactively managed at a portfolio, programme, project and contract level. Such registers shall as a minimum contain:

- a) the entry date of the risk;
- b) a description of the risk, i.e. risk event, cause and possible outcome;
- c) the measures and action to mitigate risk, i.e. a description of the action, responsibility for action and timetable for implementation;
- d) action status, i.e. actioned, take no action, monitor and review or to be actioned.

13.1.2 Those responsible for establishing and maintaining risk registers shall issue risk reports when called upon to do so.

13.2 Internal control measures

13.2.1 The gates in the control frameworks provided in section 4 shall be used, as appropriate, to:

- a) authorise the proceeding with an activity within a process, or commencing with the next process;
- b) confirm conformity with requirements; or
- c) provide information which creates an opportunity for corrective action to be taken.

13.2.2 Suitable templates shall be used to record the approval or acceptance of documents at the gates provided in the control framework established in section 4.

14 INFRASTRUCTURE PROCUREMENT REQUIREMENTS

14.1 General

14.1.1 Procurement shall be undertaken in accordance with all applicable legislation and;

- a) the relevant requirements of SANS 10845-1, SANS 10845-2, SANS 10845-3 and SANS 10845-4;

- b) the administrative procedures embedded in the approved standard forms of contract identified in this standard; and
 - c) the provisions of this standard.
- 14.1.2** All contracts that are entered into with contractors following a procurement process shall be in writing.
- 14.1.3** Quality may be evaluated in tender submissions as other objective criteria as provided for in the Preferential Procurement Policy Framework Act in accordance with the provisions of SANS 10845-1.
- 14.1.4** The preference points system contained in the Preferential Procurement Policy Framework Act shall not be applied to disposals. An assumption shall be made in the case of tenders for framework agreements that the 90:10 preference points system applies.
- 14.1.5** All awards above the quotation threshold in competitive selection and competitive negotiation procurement processes shall be published at least on:
- a) the organ of state's or relevant treasury's website; or
 - b) if required in terms of the Construction Industry Development Board Act, on the Construction Industry Development Board's website.
- 14.1.6** The publication of the award of a contract shall contain at least the following information:
- a) contract numbers and title;
 - b) a brief description of goods, services or works; and
 - c) the names of successful tenderers and their B-BBEE status level of contribution, and where practical, the total of the prices at award, the duration of the contract and the tender points scored during the tender evaluation process.

14.2 Usage of standard procedures

- 14.2.1** Goods or services or a combination thereof should generally be procured from the open market. Tenders may, however, be solicited from a confined market where:
- a) it is established with reasonable certainty that:
 - 1) only a sole contractor is able to provide the goods or services or any combination thereof;

- 2) only a very limited number of contractors are able to provide goods, services or works which are not freely available in the market, or which are provided solely for the organ of state in accordance with unique requirements;
- b) there is justification for standardizing goods or making use of manufacturer-accredited service providers;
- c) a change in product or manufacturer requires modifications to related equipment and fixtures, e.g. a replacement pump requires costly changes to mountings, pipework or electrical connections or the replacement of circuit breakers requires costly changes to mounting frames, face panels, bus bars, wiring and the like; or
- d) a replacement model requires the holding of additional spares or maintenance personnel.

14.2.2 The standard procurement procedures identified in Table 8 shall be implemented under the stated conditions in accordance with the provisions of SANS 10845-1. Projects shall not be subdivided to reduce the estimated tender value to fall within a threshold applicable to a specific procurement procedure.

Table 8: Conditions under which procedures provided for in SANS 10845-1 may be utilized

Procedure	Conditions which need to be satisfied in order to utilise the procedure
Competitive selection procedure	
Nominated procedure	Any procurement, the estimated value of which does not exceed a threshold stated in Table 9.
Open procedure	Any procurement, except where the cost of advertising or the evaluation of a large number of tender submissions is disproportionate to the value of the work.
Qualified procedure	Any procurement where: <ul style="list-style-type: none"> 1) a contract requires for its execution a high degree of specialized input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) it is desirable, in a large programme or project, to link packages of work to tenderers who have the appropriate capacity and capability to compete against one another; 5) the time and cost required to examine and evaluate a large number of

	tender offers would be disproportionate to the procurement; 6) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 7) the goods or services are not freely available in the market, or are manufactured solely for the organ of state in accordance with that organ of state's own specifications.
Quotation procedure	Any procurement where the estimated value does not exceed a threshold stated in Table 9.
Proposal procedure using the two envelope system	Services where tenderers are required to develop and price proposals to satisfy a broad scope of work.
Proposal procedure using the two-stage system	Option 1 Any procurement in which tenderers are required to submit technical proposals and, if required, cost parameters around which a contract may be negotiated.
	Option 2 Any procurement in which tenderers are invited to submit technical proposals in the first stage and to submit tender offers based on procurement documents issued during the second stage.
Shopping procedure	Procurement which involves readily available goods and does not exceed the threshold value stated in Table 9.
Restricted competitive negotiations	As for open competitive negotiations, but where: 1) a contract requires for its execution a high degree of specialized input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) the time and cost required to examine and evaluate a large number of tender offers would be disproportionate to the procurement; 5) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 6) a target price is tendered and finalized prior to the award of the contract.

Table 8 (concluded)

Procedure	Conditions which need to be satisfied in order to utilize procedure
Open competitive negotiations	Any procurement where: 1) it is not feasible to formulate detailed specifications for the work or to identify the characteristics of goods or works to obtain the most satisfactory solution to procurement needs; 2) there are various possible means of satisfying procurement needs; 3) the technical character of the goods or works, or the nature of the services, warrants the use of competitive negotiations to realise the most satisfactory solution to procurement needs; 4) the purpose of the contract is research, experimentation, study or development; or 5) all the tenders received in a competitive selection procedure are non-responsive and the calling for fresh tenders is likely to result in a similar outcome.
Negotiated procedure	Any procurement where: 1) a rapid response is required due to the presence of, or the imminent risk of, an extreme or emergency situation arising from: a) human injury or death;

	<p>b) human suffering or deprivation of human rights; c) serious damage to property or financial loss; d) livestock or animal injury, suffering or death; e) serious environmental damage or degradation; or f) interruption of essential services;</p> <p>2) the required goods, services or works cannot technically or economically be separated from another contract previously performed by a specific contractor; 3) only one contractor has been identified as possessing the necessary experience and qualifications or product to deliver value for money in relation to a particular need; 4) the services, goods or works do not exceed a threshold value stated in Table 9; 5) the service or works being procured are largely identical to work previously executed by that contractor and it is not in the interest of the public or the organ of state to solicit other tender offers; 6) a professional service contract does not exceed a threshold value stated in Table 9 and but can be based on time and proven cost; 7) the nature of the works, goods or services, or the risks attached thereto, do not permit prior overall pricing; or 8) only one responsive tender is received.</p>
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14.2.3 Prior approval shall be obtained for the following procurement procedures, unless such a procedure is already provided for in the approved procurement strategy:

- a) the negotiated procedure above the thresholds identified in Tables 8 and 9; and
- b) the approaching of a confined market, except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in Table 8, and which can be dealt with, or the risks relating thereto arrested, within 48 hours.

14.2.4 Only a person authorized in terms of a policy developed in accordance with the provisions of section 5 may pursue a negotiated procedure in an emergency without the prior approval permitted in terms of 14.2.3.

14.2.5 Approval for the use of a confined market shall only be valid for a period not exceeding 18 months.

Table 9: Procurement thresholds

Procedure (see Table 8 and SANS 10845-1)	Conditions which need to be satisfied in order to utilize the procedure	Threshold (Rand including VAT)		
		Schedule 2 public enterprise	Department or a schedule 3 public enterprise	Municipality or a municipal entity

Negotiated	The services, goods or works have a value not exceeding a threshold	R125 000	R75 000	R75 000
	A professional service contract has a value not exceeding a threshold	R500 000	R350 000	R200 000
Nominated procedure	Any procurement not exceeding a threshold	R2 500 000	R1 500 000	R1 500 000
Quotation procedure	Any procurement where the estimated value does not exceed a threshold	R2 000 000	R1 000 000	R200 000
Shopping procedure	Supplies contract which involves readily available goods not exceeding a threshold	R50 000	R50 000	R10 000

14.3 Framework agreements

14.3.1 Framework agreements may be entered into with contractors by:

- a) inviting tender offers to enter into a suitable contract for the required work, using stringent eligibility and evaluation criteria to ensure that contracts are entered into with only those contractors who have the capability and capacity to provide the required goods, services or works; and
- b) entering into a limited number of contracts based on the projected demand and geographic location for such goods, services or works.

14.3.2 The term of a framework agreement shall not exceed:

- a) three years in the case of all organs of state other than a major public entity, a national government business enterprise or a provincial government business enterprise; or
- b) four years in the case of a major public entity, a national government business enterprise or provincial government business enterprise.

14.3.3 Framework agreements that are entered into shall not commit an organ of state to any quantum of work beyond the first order, or bind the employer to make use of such agreements to meet its needs.

The employer may approach the market for goods or services, or a combination thereof, whenever it considers that better value in terms of time, cost and the quality which may be obtained.

14.3.4 Orders:

- a) shall cover only goods or services, or any combination thereof, falling within the scope of work associated with the agreement which may not be amended for the duration of the contract;

- b) may not be issued after the expiry of the term of the framework agreement; and
- c) may be completed even if the completion of the order is after the expiry of the term.

14.3.5 The issuing of orders with a number of framework contractors covering the same scope of work may be made with and without requiring competition amongst framework contractors. Where competition is required amongst framework contractors, it shall be conducted in a non-discriminatory manner such that competition is not distorted.

14.3.6 Competition amongst framework contractors for orders shall take place where:

- a) there is no justifiable reason for issuing an order to a particular framework contractor, such as:
 - 1) the framework contractor provided the most economical transaction when the financial parameters included in the contract are applied, and has the capacity to deliver;
 - 2) the required goods, services or works cannot technically or economically be separated from another contract or order previously performed by a specific contractor;
 - 3) the service or works being instructed are largely identical to work previously executed by that contractor;
 - 4) the value of the order is less than the threshold for the quotation procedure;
 - 5) the schedule for delivery necessitates that each of the framework contractors be issued with orders on a continuous basis; or
 - 6) capacity to execute the order;
- b) the terms in the framework agreement are insufficiently precise or complete to cover the particular requirement, e.g. delivery time scales or time estimates to complete the order (productivity); or
- c) a better quality of service can be obtained through a competitive process.

14.4 Design competitions

14.4.1 A single- or two-stage design competition may be used as a means to identify one or more suitable contractors to provide design services. The conditions for a design competition shall clearly state the purpose of the competition and the intentions of the promoter, the nature of the problem

that is to be solved and all the practical requirements to be met by the competitors.

14.4.2 A design competition shall be initiated following a call for an expression of interest. All respondents who satisfy the admission requirements for a design competition and complete an application form shall be admitted to the competition as participants.

14.4.3 A jury who is independent of participants in the competition shall be appointed to collectively decide on the outcome of the competition. Such a jury shall be autonomous in its decisions or opinions and endeavour, adopt decisions on each individual submission by consensus and record its decisions in writing. Not less than 50% of the members serving on the jury shall have relevant professional qualifications in the subject matter of the competition.

14.4.4 The design competition shall be conducted in such a manner that the identity of any particular participant during the process is not known to the jury until after competition winners are announced. The awarding of prizes and honoraria may be linked to such competitions.

14.4.5 A contract may be negotiated with the winner of the design competition. Where more than one contract is awarded to participants in a design competition, all competitors in the final stage of the competition shall be invited to submit tender offers. Tender offers shall be evaluated in terms of method 4 of SANS 10845-3, with the score for quality being based solely on the ranking of the competition jury.

14.5 Procurement documentation

14.5.1 General

14.5.1.1 Procurement documents shall be developed in accordance with the provisions of SANS 10845-1 and SANS 10845-2 and, where aspects of the national register of contractors or register of projects established in terms of the Construction Industry Development Board Act are implemented through procurement documents, the CIDB Standard for Uniformity in Construction Procurement.

14.5.1.2 The Form of Offer and Acceptance contained in Annex B of SANS 10845-2 shall be used, with minimal contract-specific amendments, to form the basis of agreement arising from the solicitation of tender offers.

14.5.1.3 The formation of a contract in the single volume approach (see SANS 10845-2) shall occur once:

- a) the schedule of deviations has been completed to reflect each and every amendment to the tender documents:
 - 1) made in terms of addenda issued prior to the close of tenders; and
 - 2) permitted in terms of the conditions of tender, and agreed to in the process of offer and acceptance; and
 - b) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorized to do so.
- 14.5.1.4** The formation of the contract in the three-volume approach (see SANS 10845-2) shall take place after:
- a) each and every amendment to the tender documents made in terms of addenda issued prior to the close of tenders, and those permitted in terms of the conditions of tender and agreed to in the process of offer and acceptance have been incorporated into the final contract;
 - b) a brief summary of the changes made in the final contract document is included in the schedule of deviations so as to allow the reader to understand the nature and extent of the changes; and
 - c) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorized to do so.
- 14.5.1.5** A tenderer's covering letter shall not be included in the final contract document or referenced in the schedule of deviations. The agreed provisions of such a letter shall be stated in the schedule of deviations.
- 14.5.1.6** Standard returnable documents for infrastructure procurement contained in annexures A to E shall, where appropriate, form part of the Returnable Documents in procurement documents.
- 14.5.1.7** Standard documentation issued by a relevant treasury for non-infrastructure procurement shall not be included in infrastructure procurement documents unless they are found to be compatible, and not in conflict with the provisions of a procurement document which complies with the provisions of this standard.
- 14.5.2** Tender, submission and auction data
- 14.5.2.1** The tender data shall reference the Standard Conditions of Tender contained in SANS 10845-3.
- 14.5.2.2** The tender offer validity period provided for in the tender data shall generally not exceed eight weeks, and in exceptional circumstances shall not exceed 12 weeks.

14.5.2.3 The tender data associated with Method 3 (financial offer and preference) shall be as follows:

5.11.4	<p>The procedure for the evaluation of responsive tenders is Method 3.</p> <p>The financial offer will be scored using the following formula: $A = \frac{(1 - (P - P_m))}{P_m}$ </p> <p>The value of W1 is:</p> <ol style="list-style-type: none"> 1) 90 where the financial value, inclusive of VAT, of all responsive tenders received has a value in excess of R1 000 000; or 2) 80 where the financial value, inclusive of VAT, of one or more responsive tender offers has a value that equals or is less than R1 000 000. <p>Up to 100 minus W1 tender evaluation points will be awarded to tenderers who complete the preferencing schedule and who are found to be eligible for the preference claimed.</p>
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14.5.2.4 The tender data associated with Method 4 (financial offer, quality and preferences) shall be as follows:

5.11.5	<p>The procedure for the evaluation of responsive tenders is Method 4.</p> <p>The total number of tender evaluation points (TEV) shall be determined in accordance with the following formula:</p> $TEV = f_1 (NFO + NP) + f_2 NQ$ <p>where f1 and f2 are fractions, f1 equals 1 minus f2 and f2 equals</p> <p>NFO is the number of tender evaluation points awarded for the financial offer made in accordance with 5.11.7 where the score for financial offer is calculated using the following formula</p> $A = \frac{(1 - (P - P_m))}{P_m}$ <p>and W1 equals:</p> <ol style="list-style-type: none"> 1) 90 where the financial value, inclusive of VAT, of all responsive tenders received has a value in excess of R1 000 000; or 2) 80 where the financial value, inclusive of VAT, of one or more responsive tender offers has a value that equals or is less than R1 000 000. <p>NP is the number of tender evaluation points awarded for preferences claimed in accordance with the Preferencing Schedule.</p> <p>NQ is the number of tender evaluation points awarded for quality offered in accordance with 5.11.9 where W2 = 100.</p> <p>Up to 100 minus W1 tender evaluation points will be awarded to tenderers who complete the preferencing schedule and who are found to be eligible for the preference claimed.</p>
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- 14.5.2.5** The submission data shall reference the Standard Conditions for the Calling for Expressions of Interest contained in SANS 10845-4.
- 14.5.2.6** Auction data shall be based on the auction data contained in SANS 10845-1.
- 14.5.3** Standard forms of contract
- 14.5.3.1** The standard forms of contract shall be selected from, and be suitable for use under the conditions described in Table 10.
- 14.5.3.2** The standard forms of contract shall be used with minimal contract amendments which do not change their intended usage and shall only be amended when absolutely necessary to accommodate special needs.
- 14.5.3.3** Adjudication shall be used to resolve disputes arising during the performance of a contract prior to proceeding to either arbitration or litigation.

Table10: Approved forms of contract related to the delivery and maintenance of infrastructure

Form of contract	Code	Intended usage
Construction Industry Development Board (CIDB)		
CIDB Standard Professional Service Contract	SPSC	Professional services
CIDB General Conditions of Purchase	-	An order form type of contract for low-value goods without any incidental work or services on or before a specified date being required
CIDB Contract for the Supply and Delivery of Goods	-	Simple, regional purchase of readily available materials or commodities which require almost no management of the buying and delivery process, minimal testing, installation and commissioning on delivery.
CIDB General Conditions of Service	-	An order form type of contract where low-value services on or before a specified date are required.
International Federation of Consulting Engineers (FIDIC)		
FIDIC Short Form of Contract	Green Book	Building or engineering works of relatively small capital value, or for relatively simple or repetitive work, or for work of short duration. Use for design by employer- or contractor-designed works.
FIDIC Conditions of Contract for Construction for Building and Engineering Works designed by the	Red Book	Building or engineering works designed by the employer. (The works may include some elements of contractor-designed works.)

Employer		
FIDIC Conditions of Contract for plant and design-build for electrical and mechanical plant, and for building and engineering works, designed by the contractor	Yellow Book	The provision of electrical or mechanical plant and the design and construction of building or engineering works
FIDIC Conditions of Contract for EPC Turnkey Projects	Silver Book	The provision on a design and construct (turnkey) basis of a process or power plant, of a factory or similar facility, or an infrastructure project or other type of development.
FIDIC Conditions of Contract for Design, Build and Operate Projects	Gold Book	“Green field” building or engineering works which are delivered in terms of a traditional design, build and operate sequence with a 20-year operation period. (The contractor has no responsibility for the financing of the project/package or its ultimate commercial success.)
South African Institution of Civil Engineering (SAICE)		
SAICE General Conditions of Contract for Construction Works	GCC	Engineering and construction, including any level of design responsibility
Joint Building Contracts Committee (JBCC)		
JBCC Principal Building Agreement	PBA	Buildings and related site works designed by the employer
JBCC Minor Works Agreement	MWA	Buildings and related site works of simple content designed by the employer.
Institution of Civil Engineers (ICE)		
NEC3 Engineering and Construction Contract	ECC	Engineering and construction including any level of design responsibility

Table 10 (concluded)

NEC3 Engineering and Construction Short Contract	ECSC	Engineering and construction which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the employer and contractor.
NEC3 Professional Services Contract	PSC	Professional services, such as engineering, design or consultancy advice
NEC3 Professional Services Short Contract	PSCC	Professional services which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the client and consultant.
NEC3 Term Service Contract	TSC	Manage and provide a service over a period of time.
NEC3 Term Service Short Contract	TSSC	Manage and provide a service over a period of time, or provide a service which does not require sophisticated management techniques, comprises straightforward work and imposes only low risks on both the employer and contractor.
NEC3 Supply Contract	SC	Local and international procurement of high-value goods and related services, including design.
NEC3 Supply Short Contract	SSC	Local and international procurement of goods under a single order or on a batch order basis and is suitable for use with contracts which do not require sophisticated management techniques, and impose only low risks on both the purchaser and the supplier.

14.5.4 Tender assessment schedules

Tender assessment schedules shall be used to take account of all tendered financial parameters that have an impact upon the final value of the contract.

14.5.5 Guarantees

14.5.5.1 Bonds which guarantee performance with a stated financial benefit in the event of non-performance:

- a) should as a general rule not be required in service, professional service and supply contracts; and
- b) shall be between 5% and 12,5% of the contract or package order value, excluding VAT, and may be either a fixed or variable guarantee.

14.5.5.2 Advance payment, where required in engineering and construction and supply contracts and approved by the organ of state's chief financial officer, may only be made to contractors against the lodging of a suitable advance payment bond.

14.5.6 Retention monies

Retention monies that are held shall not exceed 10% of any amount due to a contractor. The total amount of retention monies held shall not exceed 5% of the contractor package order price.

14.5.7 Communications

All procurement documents and communications shall be in English.

14.5.8 Intellectual property rights

Organs of state shall as a general rule own the rights over the materials specifically prepared by a contractor in relation to a contract.

14.5.9 Budgetary items

14.5.9.1 Provision for budgetary items in procurement documents shall as far as possible be avoided. Assumptions should rather be stated in the pricing data so that they can be priced and adjusted in terms of the contract, should these assumptions be incorrect. Where unavoidable, estimates of the likely costs may be included in the contract to cover identified work or

services to be performed by a subcontractor appointed in terms of the contract.

14.5.9.2 No provision for contingencies or price adjustment for inflation shall be made in the pricing data or included in the contract price at the time that the contract is awarded or an order is issued.

14.5.10 Professional indemnity insurance

Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount of not less than R3 million in respect of each claim, without limit to the number of claims.

14.6 Developmental procurement policy

14.6.1 General

14.6.1.1 Organs of state shall utilize procurement to promote Broad-Based Black Economic Empowerment in accordance with the provisions of the Broad-Based Black Economic Empowerment Act and, where appropriate, to promote:

- a) work opportunities for target groups; and
- b) national development goals, such as those identified by the Presidential Infrastructure Coordinating Commission.

14.6.1.2 Not less than 50% of the points allocated to preference in a points scoring system in the evaluation of tenders shall be allocated to Broad-Based Black Economic Empowerment goals.

14.6.1.3 Minimum local content shall be included in contracts in accordance with the Preferential Procurement Regulations issued in terms of the Preferential Procurement Policy Framework Act. Requirements shall be evaluated in tenders through declarations made by tenderers and shall be included in the scope of work associated with the contract.

14.6.2 Permitted targeted procurement procedures

The targeted procurement procedures that may be used to promote social and economic objectives shall include one or more of the following:

- a) the granting of preferences;
- b) accelerated rotations on electronic databases, where appropriate;
- c) the granting of up to 10% of the total number of evaluation points used to short-list tenderers following a call for expressions of interest;

- d) financial incentives for the attainment of key performance indicators in the performance of the contract; and
- e) the creation of contractual obligations to engage target groups in the performance of the contract by establishing requirements for the tendering of subcontracts in terms of a specified procedure, or establishing obligations to attain contract participation goals in accordance with the relevant provisions of SANS 10845.