



Ba- Phalaborwa Municipality

Supply Chain Management Working Group

Supply Chain Management System

Procurement System and Contract Standing Orders



Ba- Phalaborwa Municipality

Supply Chain Management Working Group

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Work Output 1

Draft Procurement Procedures for compliance with MFMA

Produced by: Supply Chain Management Working Group

For Review by; MFMA Stage Team

Version: 1.5.

Date 15/02/05

Methodology

The Supply Chain Management Group allocated tasks amongst its members on 1/11/04. At a meeting on 8/11/04 the following outputs were produced.

- Provision of existing procurement regulations and Quality Issues – N V Mhangwane
- Gap Analysis on existing procurement regulations v MFMA requirements – F Gardiner
- Definitions of limits – A Carstens
- Disposal of assets – A Mthetho
- Cataloging of Goods – N Mashele
- Ethics – M Mokgomola

These papers were then brain stormed by the group and A Carstens and F Gardiner were tasked with the resulting group effort.

This was presented to the group on its 22/11/04 meeting for brainstorming at the next group meeting for submission to the next stage group meeting.



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At the 22/11/04 meeting the document was reviewed against the revised supply chain management regulations and the SALGA Supply Chain Management Policy Guidance. It was determined that further additions were needed to increase the comprehensiveness of the policy and tasks were allocated as follows; -

- Stores Procedures – N V Mhangwane
- Risk Section – F Gardiner & A Carstens
- Tender evaluation – A Mthetho
- Comparison of version 1.1 with SALGA – N Mashele
- Purchasing Procedures – M Mokgomola

At a meeting on 29/11/04 these issues were delivered and reviewed and F J Gardiner was asked to pull the final document together for a future stage team and then on to a series of staff workshops for further refinement

During the Christmas period the document was reviewed by the CFO and required changes actioned to produce this final document.

As a result of the project meeting of 9th February 2005 the Appendix 3 page 47 on evaluation protocols and output specifications were added along with some changes to the preferential procurement policy in line with Salga/Imfo best financial practice.

On 15th Feb 2005 the Director of Technical services provided further updates on preferential procurement.

On 28th Feb 2005, further clarification was added regarding procurement methods and purchase decision limits.



Draft Procurement Policy and Contract Standing Orders

1 Extent, Variation and Revocation

- 1.1. This procurement policy and Contract standing orders are made in terms of the Municipal Finance and Management Act 2003, specifically sections 110 to 120, in so far as they relate to requirements for a high capacity authority by 1/07/05¹. They will apply to all contracts made by or on behalf of the Municipality for the execution of works, for the supply of goods or materials or for the provision of services. They do not therefore apply to employment contracts.
- 1.2. This policy shall apply to all contracts that are subject to Republic of South Africa legislation on public procurement and supply chain management. Where there is any conflict between this policy and any legislation (or regulation) then the latter takes precedence.
- 1.3. This specific policy may not apply if the municipality is a member of any future-buying consortium. In which case the municipality will only join, or remain a member, if the consortia adheres to national legislation and best municipal practice.
- 1.4. Procedure notes issued from time to time by the Municipal Manager, Chief Financial Officer or delegated official of the municipal manager, may supplement this policy. These procedures will be adhered to as if they were part of this policy.
- 1.5. The Municipal Manager, Chief Financial Officer or delegated officer, may revoke any procedure notes issued. All such procedures shall be submitted to the Director of Corporate Services for noting and storage. These procures shall be submitted to council annually for cognizance.
- 1.6. For the purposes of this policy the expression 'Procuring Service' shall mean any department or sub section of the municipality procuring the provision of any service, the supply of any goods or materials or the execution of any works, whether on its own behalf or on behalf of any other municipal department or municipal entity.

¹ The municipality is at present medium capacity, but plans to become high capacity within its IDP objectives. This date is the latest set by MFMA Gazette notice 27044.



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- 1.7. As per regulation 4 (3) (a) & (b) no supply chain management power or duties may be delegated or sub delegated to: -
- a) A councilor of any municipality
 - b) A director of any municipal entity
 - c) Any committee of which a councilor is a member
 - d) Any committee of which the director of a municipal entity is a member

2 Compliance

- 2.1. Compliance with any rules set out in the supply chain management policy is mandatory.
- 2.2. The Municipal Manager, Chief Financial Officer or delegated officer, shall review this policy annually.
- 2.3. A 'Procurement Officer' can be designated by the Municipal manager, Chief financial officer or delegated official. 'Procurement Officers' can be designated in respect of any specified contract or category of contracts and the values or amounts in respect of that category or those categories. The term 'Procurement Officer' also includes those specified by name or office as being able to act in the absence of a person designated Procurement Officer.
- 2.4. The Chief Financial Officer shall maintain a register of 'Procurement Officers' and such register shall be open to public inspection at all reasonable times.
- 2.5. Any nomination by the Municipal Manager or delegated officer shall be deemed to take effect upon the date of receipt by the Chief Financial Officer of the nomination for entry into the Register of 'Procurement Officers'.
- 2.6. Subject to any future consortia arrangements the 'Procurement Officer' may request the consortium acts on behalf of the municipality.
- 2.7. In its oversight role the Council shall receive a report from the Municipal Manager or delegated officer annually within 30 days of financial year-end. This report will include progress on the implementation of this Supply chain management policy and performance against KPI's².
- 2.8. The Municipal Manager, Chief Financial Officer or delegated officer shall submit quarterly reports to the executive committee detailing implementation progress on this policy and performance against KPI's. Such reports to be produced within 10 days of designated quarter end.

² Key performance Indicators



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- 2.9. Under the Ba Phalaborwa Project System³ the Supply Chain Management Group will undertake the role of Supply Chain Management Unit until full implementation in March 2005. At that point the Chief Financial Officer will make more permanent arrangements.
- 2.10. The Supply Chain management group shall ensure that the new principles are work-shopped and promulgated amongst all Councilors and staff. Staff and stakeholders will be encouraged to make amendments or produce new ideas.

3 Objectives

- 3.1. The objectives of these policies are to provide fair, equitable, transparent and competitive procurement and disposal procedures.
- 3.2. Specific Aims include
 - 3.2.1. Facilitating the embedding of the MFMA within the municipality
 - 3.2.2. Developing conditions for effective competition for municipal contracts
 - 3.2.3. Reducing existing economic imbalances
 - 3.2.4. Laying down of applicable thresholds in a single document
 - 3.2.5. Defining conditions where extreme urgency can be invoked
 - 3.2.6. The adoption of standardized procurement across the municipality
 - 3.2.7. Fixing certain time limits for increased certainty amongst suppliers
 - 3.2.8. Ensuring adequate time limits for the receipt of documentation
 - 3.2.9. Provision of assistance to disadvantaged suppliers.

³ BPS



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4 Ethics

- 4.1. This policy is designed to promote the objectives of regulation 42, those of mutual trust and respect and an environment conducive to reasonableness, fairness and integrity
- 4.2. In all their dealings, councillors, members of procurement committees and officials shall: -
 - 4.2.1. Be faithful to the municipality
 - 4.2.2. Efficiently and courteously treat anyone wishing to do business with the municipality
 - 4.2.3. Purchase or procure without prejudice and always seek the maximum ultimate value for the municipality.
 - 4.2.4. Promote honesty and trust in the buyer seller relationship and reject all forms of inducement or personal gain in municipal transactions.
 - 4.2.5. Avoid unofficial, unrecorded or underhand negotiations.
 - 4.2.6. Meet their obligations and ensure that obligations towards themselves and the municipality are met, including adherence and implementation of all communicated policies and statutes.
 - 4.2.7. Endeavor to acquire a better understanding of their occupation and work with everyone involved in activities that promote the development and status of purchasing, procurement and disposal of assets.
 - 4.2.8. Endeavor to continuously improve systems and standards.
 - 4.2.9. Read and absorb this policy, which is available from finance or on the Z file.
 - 4.2.10. Declare any interests in the book mentioned below in paragraph 4.3 below.
 - 4.2.11. Must report to the municipal manager any suspected irregular conduct of any person involved in the procurement or disposal system.
- 4.3. The Director of Corporate Services, on behalf of the accounting officer, shall record in a book any declaration of interest by a Procurement Officer of a pecuniary interest in a contract. This book shall be open to inspection during office hours to any councilor, or management committee member.



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- 4.4. That the mayor, on behalf of Exco, ensures that all declarations are made in the register.

5 Supply Chain Management Procurement Plan

- 5.1. As soon as possible after final council approval of budget the Municipal Manager or delegated member of Supply Chain Management Unit shall prepare a Procurement Plan setting out information on current contracts and contracts to be awarded in the period covered by the plan.
- 5.2. The period covered by the plan shall be the same as currently required by the MFMA for medium term planning or 3 years. Should the period change by regulation, and then the period of the plan will change.
- 5.3. The information to be included in the Procurement Plan includes
- a) Details of capital and major procurements in the following cycle
 - a. Estimation and business case
 - b. Procurement
 - c. Management in use
 - d. Post completion review
 - b) Details of timings and performance dates for each of the above
 - c) Cash Flow implications
 - d) Necessary corporate conditions of purchase
- 5.4. The plan will be published on the Z file and will be available for public and supplier inspection.



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6 Definitions of limits for the purposes of these guidelines

6.1. 'Procurement Officers', in dealing with transactions must take cognizance of the following limits. These detail the procedures to be followed for goods or services procurement. These are procurement procedures to be followed (see paragraph 6.2), and are thus distinct but linked to the decision to purchase (see paragraph 6.3). These should be read in conjunction with the next section (Section 7 page 13), which divides groups into three types. By classifying groups into three types the limit can be determined (Please see Appendix 1 [page 45] for examples).

6.2. Procurement Procedures and Methods

6.2.1. In all cases these limits include VAT

6.2.2. Where an estimate occurs at an intersection of limits e.g. R30000, then the exact procurement method can be determined either way.

6.2.3. When obtaining verbal or written quotes 'Procurement Officers' are to rotate competitive bids between vendors on the suppliers list wherever possible.

6.2.4. Up to R100 – Goods may be purchased from petty cash. Procurement Officers must be aware of Value for money issues, but practicalities mitigate against quote processes. 'Procurement Officers' must not however, undertake this form of purchasing if the item is held in any store or is part of a larger call off contract. For the purposes of the regulations these transactions are deemed exceptional as per regulation 35 1 c on the basis of impracticality of three verbal quotes on the basis of cost effectiveness. The suppliers must, however be on the approved list of vendors.

6.2.5. R100 to R2000 – 'Procurement Officers' need at least 3 verbal quotations, registered on the vendors list. However the provision of three verbal quotes must be recorded on a pro-forma attached to the receipt (See Appendix 2 page 46). Quotes may be obtained any way eg telephone, or by physically going to an outlet or verbal conversation. These quotes will be the subject of audit testing.

6.2.6. R2000 to R30000 – 'Procurement Officers' should obtain at least three written quotations from vendors registered on the vendors list.

6.2.7. R30000 to R119999 – 'Procurement Officers' should advertise the goods or service required either on an advertising board, local paper or on the web for 5 days. This will enable any South African company/person to quote for the said item. A decision can then be made as to who will be given the opportunity to supply the item. All items to be in written format.



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- 6.2.8. R120000+ All procurements above this need to go through the tender procedure. This procedure is graded as follows
- a) R120000 to R250000 – Shall be adjudicated by the Municipal Manager acting on the written reports and recommendations of the CFO and director.
 - b) R250000 to R1000000 – Shall be adjudicated by the ‘tender committee’ see paragraph 12.2 below and approved by the Municipal manager acting upon the written reports and recommendations of the ‘tender committee’⁴.
 - c) R1000000+ - Shall be specified by the ‘Specification Committee’ (see paragraph 12.4), evaluated by the ‘evaluation committee’ (see paragraph 12.7) and approved by the ‘adjudication committee’ (see paragraph 12.10)⁵
- 6.2.9. In all cases, above R30000 estimates should be reviewed by the CFO.
- 6.2.10. If the value of quotes or tenders exceeds the estimate by 10%, and this also would have meant a reclassification for procedural reasons. Then the CFO must give a ruling as to whether to re-procure, see the paragraph below.
- 6.2.11. The municipality reserves the right not to accept any tender or quote.

6.3. The Decision to Purchase

- 6.3.1. The above section relates to what exact method of procurement is used. To ease any confusion the following section relates to clarifying who is responsible for the exact decision to procure. The table below sets out these responsibilities.

⁴ A ‘Tender Committee is one all embracing committee performing the functions of specification, evaluation and adjudication for smaller contracts, where a full blown structure is not cost effective or warranted

⁵ The full council still has to approve the budget allocation for the contract, or approve allocations for contracts beyond three years as per MFMA section 33.



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Direct and Sundry Purchases	Officers approval	Council referral for cognizance
Up to R100	Petty Cash Officer	No (but included in quarterly report)
R100 to R2000	Three verbal quotations approved by head of section	No (but included in quarterly report)
R2000 to R30000	Three Written Quotations Approved by Director	No (but included in quarterly report)
R30000 to R120000	Public Advertising and then quotes Approval Director, Director Finance and Municipal manager	No (but included in quarterly report)
R120000-R250000	Tender Exercise Approval MM	Yes – Individually reported. Council may veto but must give reasons
R250000-R1000000	Tender Exercise Approval Tender Committee	Yes – Individually reported. Council may veto but must give reasons
R1000000+	Approval Adjudication Committee	Yes – Individually reported. Council may veto but must give reasons

6.3.2. The role of council is not to get involved in the decision on an individual supplier, but may defer or veto a decision on appropriate grounds such as irregularity, probity, not in budget, not within policy guidelines or legality. It thus acts as a final internal control on the decisions of purchasers. The council can also refer the item back or to another body for review, for example, National Treasury, Province, Audit and Scrutiny committee, Auditor general or internal audit.

6.3.3. The Council is responsible for referring, to NT, where it has reasonable grounds for suspecting an illegal action such as irregularity (+SAPS), wasteful expenditure, financial destabilization of the municipality problems or fraud (+SAPS).



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7 Cataloging of Items to Produce Comparators with limits

- 7.1. Within the spirit of the MFMA the municipality needs to control procurement within the limits set so not to encourage small limit purchasing due to its relative ease. The municipality needs to procure effectively and obtain logistical information so as best to construct its contractual strategy. To this end 'Procurement Officers' must have regard to the type of item being purchased and this determines the limit. There are 3 categories of goods and supply, A, B and C.
- 7.2. Category A Items – These are items that are used on a day-to-day basis and may frequently be kept at a store, either a formal store or informal supply (such as Stiffies, pens etc). Such items will include photocopying paper, stationery, shovels etc. The limit will be determined by reference to one months supply. Therefore, for example, you could not buy a pen from petty cash if the municipality bought R1000 worth in a month, there would have to be at least three quotes for a months supply [or get from stores].
- 7.3. Category B Items – These are items that are procured only when needed e.g. Protective Clothing, catering for special Council meetings, workshops etc. Again the estimated cost of the item determines the process referred to in paragraph 6 above.
- 7.4. Category C Items – These are large project items (usually capital, but could be say an IT facilities management contract). They have already been catalogued because there are already groups of items within the project e.g. the supply and erection of glass doors in and around the buildings, the laying of floor tiles etc. In the case of contracts for services the value is estimated as the contract sum for 3 years for the purposes of determining the limit.
- 7.5. If it is not possible to obtain at least three quotes or bids then the reasons must be recorded and approved by the Chief Financial Officer.



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8 Specifications of quotations

- 8.1. Quotations must be done on an original letterhead of the supplier. No copies will be accepted.
- 8.2. One supplier cannot submit more than one quotation for the same item or service
- 8.3. The quotation must clearly indicate the name of the person that has submitted the quotation
- 8.4. All quotations must be attached to the order to be authorized
- 8.5. For a written quotation to be considered: -
 - a) It must be written in English
 - b) Be signed by a person with the necessary authority to act on behalf of the prospective supplier
 - c) Substantially comply with the specification, whether verbal or written.
 - d) Be received within the specified time scale
 - e) Must be accompanied by certificate stating that all municipal service charges and rates have been paid to date.
 - f) Must be accompanied by a valid tax certificate issued by SARS⁶
 - g) Accompanied as necessary by the form specified by the CFO, setting out details of the suppliers PDI credentials.
 - h) Other proof, where necessary that the supplier possesses the necessary skills and resources to execute the quote properly

⁶ South African Revenue Service



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- 8.6. The Municipality is not obliged to consider bids outside of the normal bidding process. These bids shall be known as unsolicited bids. However there may be occasions where this is warranted such as: -
- a) A unique innovative or technological, exceptional benefit or cost saving project for the Municipality
 - b) There is a sole supplier and the need has been established during strategic planning and budgeting process.
 - c) There is a distinct opportunity community benefit within the municipality's powers.
- 8.7. In the case of an intention to consider an unsolicited bid the National Treasury and Provincial Treasury should be given 60 days to provide written comments and recommendations



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9 Tendering Procedures

- 9.1. If the value of procurement exceeds that specified in paragraph 6.2.8 above then the 'Procurement Officer' must engage in a tender procedure.
- 9.2. The limit above must be estimated in accordance with the categories in paragraph 7.4 above.
- 9.3. The number of tenders invited in accordance with the above shall be as prescribed in national regulations or no less than 3 (whichever is the greater).
- 9.4. Before proceeding with a tender process the 'Procurement Officer' shall consult with existing Supply Chain management regulations (issued by the National Treasury) and determine to what extent National rules apply.
- 9.5. There are three types of tender process
 - a) **An open process** – by which advertisements for procurement are open to all South African companies.
 - b) **A restricted process** – by which tenders are invited from those on the municipalities 'approved list'.
 - c) **A negotiated process** – by which tenders are invited under a or b above but under which the service or goods are developed in tandem with a diminishing pool of contractors {see regulations on Municipal service Partnerships} (e.g. for a bespoke IT system in an innovative area)



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9.6. In some cases a negotiated procedure may be applicable, in general the circumstances might be; -

- a) During the final stages of a selection process
- b) Where an open or restricted process has failed
- c) The products are purely for research or development
- d) Where only one supplier is available due to: -
 - a. Technical reasons
 - b. Artistic Rights
 - c. Has exclusive rights (e.g. copy write)
- e) Extreme urgency exists for reasons that were unforeseeable and not attributable to the municipality⁷.
- f) Additional deliveries by the original supplier are justified OR
- g) An extension of an existing contract in terms of;
 - a. Time
 - b. Breadth of contract e.g. an additional software module
 - c. Technological upgrade
 - d. Cost prohibition in retendering

.....in all cases the negotiated element cannot be more than 20% of the original contract sum unless individually authorized by the Municipal manager

9.7. Where negotiation is with one supplier then the requirements of paragraph 7.5 above apply.

⁷ E.g. if the municipality was slow due to internal reasons this would not justify the negotiated procedure



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10 Tender Types

10.1. There are three types of contract arrangement: -

- a) Call off arrangements – which establish the terms under which the municipality may enter into any subsequent contract but does not commit the municipality to buy anything. For example an agreement to purchase petrol as and when required. Would normally involve type A and B items
- b) Contracts – Legally binding agreements involving the municipality in a commitment to purchase. Would normally involve type C items.
- c) Framework contracts – involving more than one supplier, establishing terms and conditions for mini competition amongst a limited number of suppliers in individual instances. Such measures may be designed to spread business amongst a spread of suppliers. Examples may be for catering and the like.

10.2. There are three types of contract tenders

- a) Term Contracts – These are limited by time and can be annual or up to three years, for items such as cleansing, inventory, insurance portfolio etc
- b) Contract Tenders – Tenders on an ad hoc basis where each contract differs from the other
- c) Tenders for the sale of assets – this is where the council has decided to sell assets and inventory items on a tender to the General Public

10.3. In General the applicability of each type is as follows in the table below.

		Contract Arrangement		
		Call Off	Contract	Framework
Contract Tender Type	Term	Yes	Yes	Yes
	Contract	No	Yes	No
	Asset sales	No	Yes	No



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10.4. In general the decision criteria for award is as follows; -

Contract Tender Type		Contract Arrangement		
		Call Off	Contract	Framework
	Term	Lowest subject to Preferential Procurement policy	Lowest subject to Preferential Procurement policy	Lowest individual bid. Overall selection subject to Preferential Procurement policy
	Contract	Tender evaluation Points scoring system	Tender evaluation Points scoring system	Tender evaluation Points scoring system
	Asset sales	Tender with highest Price	Tender with highest Price	Tender with highest Price



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11 Tender Capture Procedure

- 11.1 All tenders must be advertised in local newspapers, and the website⁸, that are distributed in the area/ province and the following information must be clearly stated.
- a) Name and address of the municipality
 - b) Tender number allocated to the tender
 - c) A brief description of the goods/services required/specifications. (Plus a source for the detailed specification)
 - d) Tender closing date (Which must not be less than 14 days from the date of the advertisement)
 - e) Name of Municipal Manager
 - f) That bids must be submitted in sealed envelopes to a distinct address, bearing the number allocated at b) above.

⁸ When available



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- 11.2. For a tender to be considered: -
- a) It must be written in English
 - b) Be signed by a person with the necessary authority to act on behalf of the prospective supplier.
 - c) Substantially comply with the written specification.
 - d) Be received within the specified time scale
 - e) Must be accompanied by certificate stating that all municipal service charges and rates have been paid to date.
 - f) Must be accompanied by a valid tax certificate issued by SARS⁹
 - g) Accompanied as necessary by the form specified by the CFO, setting out details of the suppliers PDI credentials.
 - h) Other proof, that the supplier possesses the necessary skills and resources to execute the quote properly. In its specification the municipality will ask for the following: -
 - i. Details of 3 existing customers who may be contacted directly
 - ii. Details of all municipal customers and a declaration they may be contacted.
 - iii. A declaration that the supplier is willing to attend the municipality for discussions and is willing to undergo testing for the goods or service specified
 - i) The tenderor must certify that the municipalities' general conditions of contract apply.
 - j) That bids can only be submitted on the bid documentation supplied by the municipality (together with source of this documentation)
- 11.3. The municipal manager may reduce the 14 day period in paragraph 11.1 d) above in the case of emergency.

⁹ South African Revenue Service



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- 11.4. The tender information specified in paragraph 11.1 must be captured in the tender register and a copy of the advertisement must be captured in the tender register and a copy of the advertisement must be filed in the permanent records file.
- 11.5. Every tender submitted to the municipality shall be enclosed in a sealed envelope or package, clearly bearing the tender number as stipulated in the tender advertisement.
- 11.6. All sealed tenders received by hand must be placed in the sealed tender box, without the tender documents being opened.
- 11.7. The information of tenders received through the post must be captured in the incoming post register. The sealed tenders must be date stamped and be deposited into the tender box once the information is captured in the incoming post register.
- 11.8. No tender will be considered unless it has been placed in the tender box no later than the date and time as specified in the tender advertisement.
- 11.9. The Municipal Manager shall provide a tender box on the premises of the municipality. He/she will ensure that the tender box is locked, unless tenders are being collected, that it is visible and that unauthorized entry to the box is limited.



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12. Committee system for competitive bids

- 12.1. As per paragraph 6.2.8 c), contracts over R1000000 must include the roles of a;
- k) Bid specification committee
 - l) Bid evaluation committee
 - m) Bid adjudication committee
- 12.2. As per paragraph 6.2.8 b), a 'tender committee', which acts as an adjudication committee, must adjudicate contracts between R250001 and R1000000.
- 12.3. For all contracts the functions of specification, evaluation and adjudication apply.
- 12.4. The Bid Specification Committee must compile the specifications for relevant procurements by the municipality or municipal entities. In this role it may consider.
- a) Requesting a business case from the procuring department. This business case may be full or outline.
 - b) A benefits evaluation.
 - c) A copy of the approved capital bid and municipal documentation.
 - d) A formal project initiation document under the BPS¹⁰
 - e) Soft market testing to assess the supplier market.

¹⁰ Ba Phalaborwa Project System



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- 12.5. The specification so produced: -
- a) Must be drafted in an unbiased manner
 - b) Must be an output-based specification. See appendix 4 page 54
 - c) Indicate each specific goal for which points may be awarded in terms of the PPPFA.¹¹
 - d) Must be approved by the Municipal manager prior to publication of bids
 - e) Must contain requests for the information specified in paragraph 11.2
- 12.6. The specification committee must consist of the following under the BPS, who may be municipal or entity officials plus external specialists as required.
- a) A team leader
 - b) A user representative
 - c) A technical specialist
 - d) A quality representative
 - e) An admin function

¹¹ Preferential Procurement Policy Framework Act



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- 12.7. The bid evaluation committee must evaluate bids in accordance with: -
- a) The specification (proportionately)
 - b) Price (proportionately)
 - c) The preference point system in line with the PPPFA
 - d) The bidders ability to execute the contract
 - e) Any site visits or testing required
 - f) Any initial contract preparation issues [i.e. initial drafting prior to letting]
 - g) Tax clearance certificates from SARS
 - h) Tariff and taxation clearance from the municipality
 - i) Whether national Industrial participation programme requirements have been complied with for contracts over R100 million.
- 12.8. The bid evaluation committee will submit a report and recommendations to the adjudication committee. The recommendations will be listed by tenderor from the most acceptable to the least acceptable.
- 12.9. The bid evaluation committee must consist of the following under the BPS, who may be municipal or entity officials plus external specialists as required.
- a) A team leader
 - b) A user(s) representative(s)
 - c) A technical specialist in the field
 - d) A technical specialist in supply chain management
 - e) A quality representative, who should be a neutral or independent person from outside the municipality
 - f) An admin function



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- 12.10. The Bid adjudication committee must consider the report of the bid evaluation committee and; -
- a) Make a recommendation for award to the municipal manager
 - b) Or; make another recommendation to the municipal manager on how to proceed, which may consist of
 - a. Another method such as open or negotiated
 - b. Another type of contract such as term
 - c. A re-tendering
- 12.11. The team must consist of; -
- a) The CFO or delegate, who must fulfill the role of chairman
 - b) At least 4 top management officials of the municipality or municipal entity
 - c) At least one supply chain management practitioner
 - d) Any necessary technical expertise
- 12.12. The team must not consist of any member of the evaluation committee
- 12.13. If the adjudication committee decides to award the bid to one not recommended by the evaluation committee, then this must be reported to the municipal Manager.
- 12.14. All tender committees must adhere to the following requirements
- a) All discussions and decisions taken during meetings will be minuted in detail
 - b) All documentation and evaluation calculations shall be filed and retained for the record. Such information to be filed in a fireproof safe.
 - c) Each committee will formally record receipt of tenders and transmission to next committee (or in the case of the adjudication committee into final storage).
 - d) All committees must furnish details of decisions equally to enquiring tenderors.
 - e) Any amendment at the request of any tenderor shall be made known if accepted to all tenderors



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13. Tender Opening Instructions

- 13.1. The evaluation committee or 'tender committee' will open bids, depending on contract size.
- 13.2. The tender box must be opened on the date and time as specified on the tender advertisement, in public and in the presence of two officials and the evaluation committee if applicable. The chambers of the municipality will be utilized for this purpose.
- 13.3. The CFO or the delegated member of the tender committee will open all tenders in public. The member of the tender committee opening the tenders shall in the case of each tender, read out the name of the tenderor as well as the amount of the tender. The other member will capture the information in the tender register. Both the members must sign the register once the tenders have been opened. A line must be drawn below the last entry in the register to prevent additional information being added.
- 13.4. As soon as all tenders are open, the following stipulations apply
 - a) All tender documents received must clearly be marked with the official municipal seal/stamp.
 - b) The tender committee member who opened the tenders will forthwith place his/her initials against every altered figure in the tender document.
 - c) For tenders received that do not comply with requirements/stipulations of the advertisement, the tender committee members shall endorse and declare upon the tender document, the reasons why it does not comply. These reasons must be noted in the tender register.
 - d) The stamped and signed tenders must be handed over to the relevant tender committee (below R1m) or to the evaluation committee. The Chairman of the committee must sign the register as proof that all tenders were received.



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14. Quality Issues in bid specifications

- 14.1. In order to guide bid specification committees and 'Procurement Officers' the following quality criteria shall be deemed to be municipal policy for all specifications.
- 14.2. The purchaser should ensure maximum value during purchasing. The principle to be followed is maximum benefit for minimum outlay. Alternatives should be considered and discounted before the purchasing decision.
- 14.3. The quality of the product should not be compromised for a cheaper product of low quality.
- 14.4. Quality control measures should be put in place to ensure that delivered goods comply with the specified quality. Quality control measures could and should include testing and site visits where justified.
- 14.5. Purchasing personnel should attend workshops on quality for the purpose of quality control during goods delivery.
- 14.6. Any purchaser should ensure full knowledge of goods before ordering.
- 14.7. Where possible goods purchased should be specified as SABS approved.
- 14.8. Goods that do not comply with the stipulated quality should be sent back to the supplier with stated reasons for this action.
- 14.9. The goods specification should be clearly written on the requisition in the case of non-stock items.
- 14.10. Suppliers should be required to submit documentation confirming the quality of goods.
- 14.11. Wherever possible suppliers should submit records of track records in supply of goods or services.
- 14.12. The provision of guarantees by suppliers be encouraged and act as a factor in decisions. Any guarantee documentation to be held against the (or the first) purchase invoice.
- 14.13. The provision of after sales service should also be a factor in purchase decisions.



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15. Preferential Procurement Assessment Mechanism

- 15.1. The Ba-Phalaborwa Municipality has determined its preferential procurement framework and will implement it within the following preference points system: -
- 15.2. A preference point system must be followed.
- 15.3. Please note that Appendix 5 page 56 gives a complete worked example of the system specified below.
- 15.3.1. For all tenders with an estimated value between R120000 and R250000 including VAT a 80/20 preference points will be allocated as follows; -

Item	Points	
Price/Specification*	80	
Local service Provider (note 1)	6	
PDI	10	
Female in company management	2	
Disabled person in management	2	
Total Points	100	
Note 1 – (BLM –4), (DM – 2), (LP – 0)		
Note 2 - Surety 2.5%, Retention 5%, Completion 2.5%, 3 month 2.5%		
$Ps = [1 - \frac{(TE - T_{min})}{T_{min}}] + L + PD + W + Disable$		
TE = Tender Amount		
Ps = Preference point value		
Tt = Tender amount after correction		
$T_{min} = 0.95 (T_{av} + Test)/2$		
Test = Estimated Tender Amount		
L = Local service Provider		
PD = PDI		
W = Women		
Disable = Disabled		

- 15.3.2. For all tenders with an estimated value between R250001 and R1000000 including VAT a 85/15 preference points will be allocated as follows; -



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Item	Points	
Price/Specification*	85	
Local service Provider (note 1)	5	
PDI	6	
Female in company management	2	
Disabled person in management	2	
Total Points	100	
Note 1 – (BLM –3), (DM – 2), (LP – 0)		
Note 2 - Surety 5%, Retention 5%, Completion 2.5%, 6 month 2.5%		

15.3.3. For all tenders with an estimated value above R1000000 including VAT a 90/10 preference points will be allocated as follows; -

Item	Points	
Price/Specification*	90	
Local service Provider (note 1)	4	
PDI	4	
Female in company management	1	
Disabled person in management	1	
Total Points	100	
Note 1 – (BLM –2), (DM – 1), (LP – 1)		
Note 2 - Surety 10%, Retention 10%, Completion 5%, 12 month 5%		

- 15.4. Please note that methods of evaluation and point mechanisms will vary from contract to contract. Further detail can be found in paragraphs 12.5 and 12.7 on pages 24 and 25 respectively.
- 15.5. When evaluating tenders, either individuals, tender committees or evaluation committees can employ a number of methods. Appendix 3 page 47, the Ba Phalaborwa Evaluation Protocol details some mechanisms that can be employed. These mechanisms are to be employed where factors other than pure price and preference factors are applicable. This would be for large complex contracts where adherence to a specification is as, or more important than price. The principal is that there will be different methodologies employed for different situations. For example the purchase of a photocopier may not involve detailed user testing whereas a new finance system would.



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16. Project Management and Implementation

- 16.1. For large projects the management system shall be the BPS.
- 16.2. After completion all projects shall have a post completion review including the following sections.
 - a) Successes
 - b) Lessons Learned
 - c) Problems encountered
- 16.3. Such reports to be presented council and fed back in the form of a BPS newsletter to all staff.

17. Contracts for the sales of Assets

- 17.1. An asset needed for the provision of the minimum level of basic municipal service cannot be disposed of. The minimum level of service is defined that as necessary to deliver the KPI required under the municipalities SDBIP¹², or other reasonable grounds.
- 17.2. Reasonable grounds may be any reason, which to a reasonable member of the community might find warranted a disposal, for example,
 - a) The asset was acquired specifically for resale, such as stands
 - b) The asset has been impaired¹³
 - c) The municipality no longer has the function for which the asset was purchased
 - d) The asset may no longer be located close to the delivery point and cannot be moved.
 - e) The municipality has reduced its level of service and the breakeven point of the asset is below that required.
- 17.3. In disposal of assets 'fair market value' is to be achieved. This means a market rent, lease or charge, in the case of usage. In the case of, sale involving transfer of property rights the capital receipt must be at provable market value.

¹² Service Delivery and Budget Implementation Plan

¹³ Impairment means that through normal wear and tear, accident, force majeure, or technological advance the asset is no longer fit for purpose



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- 17.4. To prove market Value has been assessed, when property rights are being disposed of, the following methods may be used.
 - a) For movable assets disposal by bid/tender or public auction.
 - b) For immovable assets disposal by tender, or sworn valuation consistent with sections 39 and 46 of the Property Rates Act
- 17.5. In the case of the above the municipality may use the services of a professional valuer to determine reserve price.
- 17.6. The tender procedures will be as for asset procurement as adjusted for monies receivable.
- 17.7. In the case of renting or leasing assets, the charge, tariff or rent shall be as determined by a professional valuer.
- 17.8. In the case of the disposal of IT equipment the provincial education department must first be approach as to whether there is a use for said equipment.



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18. Stores Procedures

18.1. Preamble

18.1.1. This section deals with category A items and their acquisition, storage and issuing. (Please see paragraph 7.2 page 13 above). Procurement Officers will generally be procuring type B items.

18.2. Role of the Stores Officer/Manager

18.2.1. A Stores Officer/Manager must accept the responsibility of controlling stores on appointment

18.2.2. The Stores Officers must be eager to further their knowledge by means of official courses, functional training and formal studies to enable them to be better equipped to cope with their tasks. All training also to be cognizant of MFMA requirements, regulations and spirit of the Act.

18.2.3. The Stores Manager is required to ensure that all staff involved in control over and purchase of stores are fully conversant with stores requirements and that these requirements are executed in such a manner that they will promote efficiency as far as possible.

18.2.4. The Stores manager should not wait and depend on audit or other instructions, which will reflect the defects in the store, but should ensure that; -

a) On a daily basis

- a. All receipts are entered
- b. All issues are entered
- c. All orders, for which the goods ordered have been received, are properly certified and passed for payment.
- d. All correspondence and queries are up to date.

b) On a monthly basis

- a. That ledger balances agree with the physical balances in the store on a rotating 5% sample.

c) On an annual basis

- a. Full stock check for annual statement purposes



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18.3. Receipt of Stores

- 18.3.1. Stores will be delivered to the receiving area where the documentation will be recorded and then forwarded to the Stores Controller.
- 18.3.2. The receiving Official must match the delivery note to the purchase order, and fill out a pre-numbered goods received note.
- 18.3.3. The store man must compare the delivery note to the relevant order, before accepting the goods
- 18.3.4. The goods received note must be signed by the storeman as proof of acceptance of the goods.
- 18.3.5. Any evidence of damage, short delivery or quality deficiency shall be investigated immediately and the store man shall endorse particulars on the delivery note.
- 18.3.6. All goods received are to verified before being taken onto stock.

18.4. Maintenance of Stores

- 18.4.1. The Chief Financial Officer shall ensure that at least once every financial year Stock taking of all stores of the council takes place as follows; -
 - 18.4.1.1. The Financial year end stock take will take place on the last day of the financial year or as close to that date as possible
 - 18.4.1.2. All heads of sections and the municipality's external auditors¹⁴ must be notified of the date of the annual year-end stock take.
 - 18.4.1.3. Stores must be closed at noon the day before the stock take. A notice o this effect must be prominently displayed on the stores notice board
 - 18.4.1.4. In the case of an emergency stores may only be issued on the explicit authority of a designated official
 - 18.4.1.5. Prior to stock take, the stores controller must ensure that all transactions are up to date and have been processed
 - 18.4.1.6. An official delegated the responsibility, shall make available stock take listing sheets, to the auditors for recording the physical count figures
 - 18.4.1.7. Stock items must be counted in an orderly fashion from one end of the stores to another, by persons not dealing with stock on a regular basis

¹⁴ The Auditor General



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- 18.4.1.8. Stock that has been drawn for emergency use (see paragraph 18.4.1.4 above) at a later date, should be included I the stock count and not expensed. Consumables should also be included in the stock count and not expensed
- 18.4.1.9. After each item is counted, they must be marked with a sticker to indicate that they have been counted.
- 18.4.1.10. After each item is counted, the total must be entered onto the stock sheets. A reason for holding the stock item must also be noted as per paragraph 18.9.1 page 37.
- 18.4.1.11. Counters and checkers must sign stock sheets.
- 18.4.1.12. On completion of the count, all stock sheets must be handed to the Chief Financial Officer
- 18.4.1.13. Physical count figures will be verified to the computerized listing. The Stock Controller should not be involved in any aspect of this verification.
- 18.4.1.14. Should any discrepancies arise a recount of the of the product is done and the requisition entries re-checked.
- 18.4.1.15. Al write offs of obsolete or damaged stock should be authorized by the Chief Financial Officer
- 18.4.1.16. The Chief Financial Officer shall submit a report stating the quantity and value of any surplus or shortage of stores revealed by the sock take, together with the reasons for this, who may then require the stores controller to furnish him/her with the reasons for shortages in writing.
- 18.4.1.17. The chief Financial Officer shall then report such surpluses and shortfalls to the council for further steps to be taken, if necessary

18.5. Issue of Stores

- 18.5.1. Only the stores officers will be authorized to issue goods from the storeroom.
- 18.5.2. Stores should only be issued in terms of a properly authorized requisition form, fully completed including confirmation of; -
 - a) General Ledger Code
 - b) That issue is within budget
 - c) Justification of need



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- 18.5.3. Specimen signatures of all persons authorized to sign requisitions shall be supplied to the Stores manager, and to the CFO for ratification.
- 18.5.4. Only an authorized signatory will be accepted for a stores issue. Unauthorized requisitions will be confiscated and sent to the CFO for investigation.
- 18.5.5. The store man must verify that the correct vote I entered on the requisition for the types of goods requested. Additionally the job card number should be inserted.
- 18.5.6. The store man and recipient of goods requisitioned must agree that the goods requisitioned, agree to the goods drawn from stores, which is consistent with the issue note.
- 18.5.7. The recipient must sign the stock requisition as evidence that the goods stated on the issue note have been received.
- 18.5.8. All quantities on requisition notes must be 'ruled off' so that quantities cannot be substituted. Additionally the quantity should also be stated in words (i.e. – '---5—FIVE'). A non-ruled off requisition shall be deemed invalid and returned for appropriate completion and reauthorization by original authorizing officer.

18.6. Disposal of Stores

- 18.6.1. Stores management must provide the Chief Financial officer with a list of all stores proposed for disposal.
- 18.6.2. Within 30 days The Chief Financial Officer must furnish the council with a list of stores to be disposed of together with the reasons for their disposal.
- 18.6.3. Stores should be disposed of by public auction as per MFMA regulation.

18.7. Handing Over

- 18.7.1. Where a change in persons in direct control of stores, takes place¹⁵, a handing over certificate shall be completed and a copy retained for record purposes. If surpluses or deficiencies are found, the certificates shall be dealt with as stocktaking reports (see paragraph 18.4.1.14 above) and unless otherwise stipulated, submitted to the Chief Financial Officer for approval or otherwise.
- 18.7.2. If for any reason the person from whom the stores is being taken over is not available, an impartial person shall be nominated in writing by the Chief Financial Officer, to assist the person taking over with the checking of the stores and the certification of any discrepancies

¹⁵ A normal 'in the course of business' change such as delegated cover for holidays sickness etc would not incur this rule.



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18.7.3. In the case of failure to comply with the requirements of a handing over certificate, the person taking over shall be liable for any shortage, unless it can be established that the shortages existed prior o taking over.

18.8.Safeguarding of Stores

18.8.1. Only stores officers are allowed to enter the storeroom or facility, others enter only when a stores officer accompanies them.

18.8.2. The Stores manager or the officer on standby must see to it that the storeroom is always locked outside working hours.

18.8.3. Duplicate keys to the store will only be kept by the CFO or designated officer

18.8.4. After normal working hours a security guard must be deployed

18.8.5. During working hours the gate must always be kept closed

18.8.6. Stock will be stored in suitable areas, for example perishables in refrigerated zones.

18.8.7. Stock items requiring special safety arrangements i.e. those of an inflammable, explosive or poisonous nature should be stored in special facilities.

18.9. Justification for Inventory

18.9.1. Stock will only be held where it is justified. The Stores manager will as part of the annual stock-take mentioned above justify each category under the following circumstances: -

- a) The economic order quantity and stock level is justified given cost of holding stock and lead-time.
- b) Lead time is such a stock has to be held
- c) Stock is held due to internal control reasons
- d) Stock is held due to product no longer being manufactured and is necessary for provision of services.
- e) Stock is held for emergency reasons.
- f) Stock is held for overriding convenience reasons.
- g) Stock is held for other organs of state.



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19. Risk Management in Procurement

- 19.1. All procurement activity must be in line with the municipalities Risk Management Procurement Strategy.¹⁶
- 19.2. In general the approach to risk management will be actioned in this manner, in situations where tender, specification, evaluation or adjudication boards have been set up. For smaller procurements ‘Procurement Officers’ should be aware of the potential risks and take adequate measures to assuage them.
 - a) All procurement risks should be identified prior to any procurement
 - b) All risks should be measured in terms of chance of occurrence¹⁷ and severity¹⁸
 - c) All risks should be monitored throughout the procurement lifecycle
 - d) All risks should be controlled throughout the procurement lifecycle
- 19.3. Risks can be classified as high, medium or low by reference to the chart below: -

A Risk is.....	Occurrence	Severity
.....High if	The chances of the risk materializing is greater than 75%	The financial cost of the risk is equal or exceeds the project estimate
.....Medium if	The chances of the risk materializing is between 26 % and 74%	The financial cost of the risk is between 11% and 99% of the project estimate
.....Low if	The chances of the risk materializing is less than 25%	The financial cost of the risk is less than 10% of the project estimate

¹⁶ Still to be developed

¹⁷ In terms of H = High, M = Medium and L = Low

¹⁸ Interm of H = High, M = Medium and L = Low



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- 19.4. Risks can be controlled through
- a) Acceptance (not permitted for Medium/Medium Risks or above)
 - b) Elimination
 - c) Assuagement
 - d) Contingencies
 - e) Insurance
- 19.5. The groups should record risks and the steps by which they are controlled throughout the procurement process¹⁹.
- 19.6. Where large procurements justify a business case, risks should form an essential part of the project appraisal
- 19.7. As a guide the typical areas of Procurement Risk can be categorized as²⁰

¹⁹ And later through the product lifecycle

²⁰ This is a guide, I the estimation of risks groups and individuals should think outside of this list as well



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Procurement Function/Area	Risk Type	Example Control Method
Suppliers	<ul style="list-style-type: none"> • Eligibility • Technical Support • Supply interruption • Technical Interruption 	<ul style="list-style-type: none"> • Checks with SARS and Municipality • Testing and other customer enquiry. Requirements in specification • Alternate suppliers, guarantees, substitutes • Testing, confirmed upgrades in contracts
Quality	<ul style="list-style-type: none"> • Quality Demands • Design Restrictions • Safety • Under/Over specification 	<ul style="list-style-type: none"> • Ensure SABS quality mark • Adequate specification on output base • Contract details safety requirements • Ensure groups contain users and technical experts
Relationship Power	<ul style="list-style-type: none"> • Reliance on one or a few suppliers • Failure to promote the economically disadvantaged 	<ul style="list-style-type: none"> • Periodically review use on approved suppliers list • Evaluate using the disadvantaged evaluation scheme
Costs	<ul style="list-style-type: none"> • Estimate too low or too high • Cost switching in contract²¹ 	<ul style="list-style-type: none"> • Ensure Finance Department involved in estimates • Assertive behaviour and referral of contract variations to directors and council
Evaluation risks	<ul style="list-style-type: none"> • Fail to spot poor track record • System Bias • Procedural failure 	<ul style="list-style-type: none"> • Review at least three past customers • Test evaluation system and ask for supplier consultation • Use project management techniques
Timing Risks	<ul style="list-style-type: none"> • Delivery timescales not met • Contract Late or early 	<ul style="list-style-type: none"> • Adequate minimum stock levels • Performance bonds and liquidated damages

²¹ Costs levered up by cynical manipulation by contractor, e.g. variation of price/quantities



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20. Purchasing and payment Procedure Policy

- 20.1. The Chief Financial Officer²² shall make procedures relating to ordering and payment.
- 20.2. Orders must contain the following compulsory information; -
 - 20.2.1. Full name and address of the supplier
 - 20.2.2. The date of the order
 - 20.2.3. Expected delivery date
 - 20.2.4. The expenditure vote number
 - 20.2.5. Certification by head of department that expenditure is within budget
 - 20.2.6. Cross reference to a fully completed and approved purchase requisition document. This requisition must be signed by the official that requested the goods/services and by the relevant head of department for approval.
 - 20.2.7. An authorised signature
 - 20.2.8. Date order authorised
- 20.3. The CFO shall ensure that no one officer has sole responsibility to order and receive goods or services together with the authorisation for payment.
- 20.4. The CFO shall determine, through manual or computerised procedures an appropriate financial threshold for orders and acceptances with orders in excess of the threshold deemed significant and requiring the signature of a more senior officer within the department. The internal audit section shall be informed of these thresholds.
- 20.5. The CFO shall maintain a register of officers approved to authorise orders and acceptances (including stores inwards). (See section 6.3 page 11)
- 20.6. The CFO shall also maintain a register of officers approved to certify payments and ensure that said register is updated to reflect changes in personnel.
- 20.7. The CFO shall additionally ensure that the purchasing arrangements concur with the procurement plan (see paragraph 5 page 9) and any directions of the MM, council, statute or regulation.

²² CFO



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20.8. The normal method of payment for municipal goods and services shall be by cheque. This excludes petty cash and other payments from imprest accounts.

20.9. An authorised officer shall only certify an invoice for payment where: -

20.9.1. The expenditure is legal and ethical (see paragraph 4 page 8).

20.9.2. The service or goods provided are in accordance with the order or acceptance sent to the supplier

20.9.3. The: -

- Price
- Extensions
- Calculations
- Discounts
- Other allowances
- VAT

.....is correct

20.9.4. The relevant expenditure has been properly incurred and is within the relevant budget

20.9.5. Appropriate entries have been made in inventories, stores or stock records as required

20.9.6. The Account has not previously been paid or in the process of being paid, or is already part paid.

20.9.7. The account is not the subject of a dispute with the supplier.

20.9.8. Invoices received that are not correct, should be queried with the supplier to agree the appropriate action such as; -

20.9.8.1. Cancellation

20.9.8.2. Reissue

20.9.8.3. Issue of a credit note



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- 20.9.9. Any Variation with the above can only be made with the written approval of the CFO
- 20.10. Duly certified invoices shall be passed without delay to the Expenditure section.
- 20.11. Payment will only be made when attached with the following documentation where appropriate; -
- Authorised payment advice
 - Supplier monthly statement for payments made on statements
 - Certified original invoice
 - Goods Received Note (GRN) for stores
 - Second copy of the order issued
 - Original approved purchase requisition
 - Original written quotations or verbal quotation records.
- 20.12. The municipality's payment performance will be monitored as a Key Performance Indicator (KPI). Any payment delay beyond this may result in explanation being required to the CFO.
- 20.13. Payment will not be made on duplicate or photocopy or facsimile invoices.
- 20.14. Where payments to major suppliers are settled by 'Statement of Account', retrospective reconciliation's between the statement and services actually provided must be made on a regular basis.



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21. Performance Management

- 21.1. Performance management of the implementation of the Supply Chain Management System shall be by the MFMA stage management group acting in its role supervising the activities of the Supply Change Management Team.
- 21.2. As part of the overall Municipality Performance Management System various key performance indicators will be set for;
 - a) The payment of suppliers
 - b) The initiation of procurement procedures
 - c) The keeping Stock
- 21.3. The internal Audit section shall, from time to time review procedures and ensure key control and substantive testing.
- 21.4. The Municipal Manager shall as part of his reporting requirements (see paragraph 2.8 page 6).



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22. Appendix 1 – Examples

Catalogue Types	Examples
Type A (These items cost less than R1000, otherwise the item is capital expenditure if of value for more than one year of account –[see capital programme reports])	Plants and shrubs
	Nails
	Paper (Photocopying)
	Wire
	Staples
	Files
	Cement
	Bricks
Type B (These items cost less than R1000, otherwise the item is capital expenditure if of value for more than one year of account –[see capital programme reports])	Black Board
	Furniture
	Calculators
	Specialist Tools
	Meals
	Hospitality
	Artistes
Books	
Type C (These items cost more than R1000, and are capital expenditure if of value for more than one year of account –[see capital programme reports])	Machinery
	Plant
	Vehicles
	Land
	Buildings
	Easements
	Vessels
Roads	



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23 Appendix 2 – Petty Cash Proforma

Verbal Quote Pro-forma	
Date...../...../.....	Item.....
Outlet	Cost R
1)	R.....
2)	R.....
3)	R.....

Error!

Verbal Quote Pro-forma	
Date...1/...12../...04	Item...Extension Lead
Outlet	Cost R
1) ...Pick & Pay.....	R.....101.....
2) ...Checkers.....	R.....150.....
3) ...Shop Rite.....	R.....169.....



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24 Appendix 3 - The Ba Phalaborwa Evaluation Protocol

24.1. The evaluation of tenders can be a long and involved process. In general the rule is the more expensive or important the tendered service the more effort. There are many ways to evaluate. This protocol seeks to provide guidance on the main techniques that can be employed.

24.2. Evaluation Techniques can be divided into two sections.

- a) General Evaluation Criteria
- b) Specific Evaluation Criteria

24.3. A third section gives a specific evaluation example. Please note that it is an international example and would have to be supplemented with uniquely South African preferential procurement factors

24.4. General Evaluation Criteria

24.4.1. After tenders have been received and standard information has been provided, the evaluation group must then determine, those who may be disqualified due to the following initial criteria.

24.4.2. This may be actioned by a meeting one day after all tenders have been received and been read by all members of the evaluation group. The group will review the tenders against the following criteria. Failure against any of these criteria may be used to disallow the tender from further consideration (it is assumed that the specification committee has formally asked for this information with the tender submission): -

- 1) Is information submitted complete?
- 2) The tenderor submitted on time
- 3) Is information correct, i.e. free from error, inaccuracy and misrepresentation?
- 4) Have all the criteria for BEE been adhered to.
- 5) The tenderor has adequate insurance for undertaking the supply
- 6) The tenderor has provided latest annual report and audited accounts and balance sheets for the last 3 years, showing profits over the period



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- 7) The tenderor has provided details of the company's management structure and arrangements with any proposed sub contractors
- 8) The tenderor has provided the names, professional experience and qualifications of the staff to be responsible for the execution of the contract.
- 9) The tenderor has provided a brief statement of why they consider themselves to be particularly suitable for this contract.
- 10) The tenderor has provided a full company name and address, and length of time trading, a contact name, position and telephone number, VAT registration number if applicable.
- 11) The tenderor has provided details of any ultimate holding company, including a statement of turnover. In the case of a partnership, certified accounts including a statement of turnover.
- 12) The tenderor has provided details of relevant similar contracts awarded in the last 24 months from public organisations.
- 13) The tenderor has provided details of reference sites that may be taken up. The group may produce a questionnaire for these sites to be sent and completed.
- 14) The tenderor has provided details of any accreditation status for the systems, software, equipment, vehicles etc to be used.
- 15) The tenderor has provided a Web site address of the Company and their user group for the systems offered.
- 16) The tenderor has provided details of technical solution, i.e. what technical infrastructure is compatible with their system (for example with a computer contract: network type bandwidth, server types, database types and client types eg. Citrix. The technical rep to lead on this assessment.)
- 17) The tenderor has provided details of their quality management system arrangements, including proof of compliance with ISO 9002 or equivalent and a copy of the company's Quality Manual or Statement if available.
- 18) The tenderor has provided details of the company's management structure and arrangements with any proposed sub-contractors. This should include the number, names and relevant qualifications of staff to be responsible for the contract together with Senior Managers, Contract Managers, Supervisors, Quality Assurance Personnel, etc.



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- 19) The tenderor has provided details of adequate public liability insurance
 - 20) The tenderor has provided details of company BEE Policy.
 - 21) The tenderor has provided other useful supporting information.
 - 22) The tenderor is up to date with their local taxation liabilities.
 - 23) The tenderor is not seriously impaired with their credit rating etc.
Credit checks to be undertaken.
- 24.4.3. The reasons for rejecting a tender must be fully recorded and placed on the project file.
- 24.4.4. For those tenders that pass the above the group will prepare a standard checklist and undertake contemporaneous assessment and keep copies on the project file.
- 24.4.5. It is at this point that a formal evaluation process can be undertaken for the information submitted. The end output is a formal recommendation for award to the adjudication committee or next meeting of the tender committee.
- 24.4.6. At this point the contract and specification should be complete and these will be used as the basis for comparison. The specification should be designed to elucidate answers against each requirement mentioned. Again evaluation criteria will be set and applied equally to all tenderors. The following criteria should be considered.
- 1) Are all requirements met from a review of the specification and the answers given? If no tenderor meets all requirements who meets the most and what are most important? The evaluation committee may well wish to rank and prioritise their scoring system from the specification.
 - 2) The group may also wish to have formal meetings with all tenderors. In this case the meetings are to be structured the same.
 - 3) If any tenderor asks for additional information and the group grants this, it is then to be provided to all tenderors.
 - 4) If in the course of any meeting any questions are answered giving additional information to any tenderor this must be provided to all.



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5) The group may decide to visit reference sites, or compile questionnaires for existing customers to complete. Again this must be equally applied to all sites. If the customer so selected has a first language other than English, this questionnaire may have to be translated. The group is assessing in particular: -

- 1) Price, both capital and operational
- 2) Effect on organisation, i.e. a cheaper software system or supply may require hardware/software updates which when compared to others make the system expensive
- 3) Degree of required functionality offered
- 4) Degree of extra functionality offered
- 5) Finesse of technical solutions
- 6) Service Quality
- 7) Help desk, customer service and response
- 8) Financial and administrative standing of company

24.3.6. The group will prepare a standard checklist and undertake contemporaneous assessment and keep copies on the project file. The candidate with the most appropriate fit will be awarded the contract. Of prime concern to the group are the bases upon which the contract will be let as specified within the supplies



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25 Evaluation Techniques

- 25.1. Herewith follows an example of an evaluation technique. The method used can be drawn upon in an evaluation process. Please note that all services and supplies have their own unique features so there is not any one method and innovation is encouraged in evaluations. In all cases however South African statute and regulation takes precedence.
- 25.2. This evaluation is a three-stage process, 1,2 and 3. It is applicable to large complex contracts
- 25.3. Stage 1** - At this stage, contractual obligations and form of tender are checked. The result can be recorded on an evaluation sheet. **In the event of any failure (i.e. No (N))**, marking will cease and the matter referred to the Project Sponsor, for further action.
- 25.3.1. The tender is not signed
- 25.3.2. Evidence of a failure in proprietary issues
- E.g.
- a) Canvassing of municipal official
 - b) Price fixing
 - c) Communication of price to third parties
 - d) Collusion in tender submission
 - e) Inducement
 - f) Corruption
- 25.3.3. Failure, after enquiry to submit sufficient bond or surety
- 25.3.4. Failure to complete tender in English or provide translation
- 25.3.5. Evidence of variant bids²³
- 25.3.6. Lack of liquidated damages
- 25.3.7. Non compliance with SA law
- 25.3.8. Lack of insurance documentation
- 25.3.9. Lack of technical compatibility with existing equipment. E.g. A vehicle requiring specialist tyres not supplied by municipality.

²³ A variant bid is a situation where it is difficult to determine the exact price, i.e. the tenderor gives many and confusing circumstances and pricing structures



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25.4. Stage 2 – Each point on the specification can be ranked 1 –15 within the following bands. Specifications can have many lines or requirements, some aspects of procurement are more important than others. If you are procuring a photocopier its colour is of less importance than copying speed.

- a) **Essential Requirement –15 points** – The item is absolutely necessary for the contractor to meet its prime output purpose. To use the example of a photocopier, the required copying speed of 60 sheets per minute would be an essential requirement
- b) **Desirable Requirement – 10 points** – The item is desirable but does not compromise the prime purpose if it was not there. For a copier the ability to print in two additional colours, other than black and white would fit here.
- c) **Valuable Requirement – 5 points** – The item is in the specification but is only of incidental value. For example the colour of the photocopier.

25.5. Stage 3 - By comparing each line of the specification and giving it a point ranking a total amount of points for the specification can be determined. This is useful for now points can be awarded for price and adherence to specification. Take the example where a contract is to be awarded on the basis of 30% price and 70% adherence to specification. The following might be the process. Note that the price score may have to be weighted to achieve the appropriate points rating, so if the SOR²⁴ was 5171 points then price would be $5171/70 * 30 = 2216$

²⁴ SOR = Statement of requirements or Specification



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Pricing Considerations				
Notes		SOR Marks		Price Marks
		70%		30%
Pricing constitutes 30% of marks		6300		2700
Step 1				
Take Estimated cost Budget	R439000			
Step 2				
Calculate Average tender (see Appendix 5 page 56)	R393333			
Step 3				
Calculate Tmin (see Appendix 5 page 56)	R395358			
Step 4				
Calculate Price Points (see Appendix 5 page 56)	Tender	Price Score	L,PDI,W,D	Total
Bid 1	R200000	149	5	154
Bid 2	R405000	97	1	98
Bid 3	R390000	101	5	106
Bid 4	R370000	106	7	113
Bid 5	R600000	48	6	54
Bid 6	R395000	100	2	102
Step 5				
Proportion the total above to 2700 (see below*)				
So bid 1 becomes 2700				
Example Bid no.	Total Points	Price Points	SOR Points	Total Points
1	154	2700	5800	*****8500
2	98	1041	4300	5341
3	106	1858	6100	7958
4	113	1981	2500	4481
5	54	947	4800	5747
6	102	1788	5500	7288
Because of the extremely good price position of bid 1 then either -SOR would have to make up 90% of total points before bid 3 exceeded bid 1 -or Bid 3 should be 20% lower cost price wise.				



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26 Appendix 4 -Output based Specifications

- 26.1. Many traditional specifications are based on defining inputs. For example a certain colour, type, or material to be used. This may not be the best way of procurement as it can be restrictive and limit procurement to only those organizations that produce in a certain way. For example to specify a petrol vehicle will exclude diesel or even electric, which may narrow down choice if these vehicles met requirements of speed, economy and maintenance etc.
- 26.2. The principle of output basing is that the specification is written from the point of view of what you want the goods or service to do, not how they do them. This way the procurement is based on functionality and not specific types of supply.
- 26.3. The table below shows the approach to an arrears recovery based system on an output and an input base. The output base allows more flexibility and innovation from the supplier, if more suppliers can consequently bid economics tells us increased supply equals reduced price if demand remains the same.



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Output Base	Input Base
The Arrears Recovery Regimes should include:	The Arrears Recovery Regimes should include:
User defined arrears status	An indicator of M, for one month in arrear, Q for a quarter in arrear and Y for a year in arrear.
User defined actions and activities triggered by status	An indicator of M requires a first letter, Q requires second and Y court action
Automatic or manual actions and activities	Monthly debtors Listing by time Automatic transfer to legal section
Automation to be overridden where required	Automation to be overridden
Agreements to pay an amount over a specified payable period	Agreements to pay an amount over a monthly, bi-annual or yearly period.
Agreements to pay automatically monitored	Agreements to pay monitored weekly by report
User defined rules to automatically take or prompt action to be taken	Weekly reports of why actions not taken
Ideally an audit report of why (code/description) system prompted action not taken	Weekly audit reports detailing where actions not taken
Visits to be prompted	Visits to be detailed in set format
Details of visits input on line	Able to input visit details on 4 lines
Agreement details on-line with start date, ideally with a user-entered different amount upon a certain date, e.g. R100 on date X and the rent + Y each paying cycle)	Agreement details on-line with start date, ideally with a user-entered different amount upon a certain date, e.g. R100 on date X and the rent + Y each paying cycle)
Many current arrears recovery actions at once, e.g. Notice, Agreement, Court Action Requested	The ability to log all arrears actions at time of notice, agreement, court action etc
Some actions need authorisation, e.g. court, eviction. This will require a two-stage process. Please describe what facilities your system provides to allow us to meet this requirement.	N/A
Free text comments against each arrears recovery action and status	N/A
On-line history of arrears	On line history of arrears



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27 Case Study: Preferential Procurement Assessment

Tender	Corrected Amount	Locality	PDI No's	Women No's	Disable No's	Total Member
A	R1500000.00	Phalabowra	1	0	1	2
B	R1700000.00	Nelspruit	0	2	0	2
C	R1900000.00	Polokwane	1	0	0	1
D	R1750000.00	Phalabowra	2	2	0	4

$$\begin{aligned}
 T_{min} &= 0.95 (T_{av} + T_{est})/2 \\
 &= 0.95 (1712500 + 1600000)/2 \\
 &= 0.95 * 1656250 \\
 &= 1573437
 \end{aligned}$$

So the points value for tender A is

$$\begin{aligned}
 P_s A &= [1 - \frac{(1500000 - 1573437)}{1573437}] * 100 \\
 &= (1 - [-0.05]) * 100 \\
 &= 1.05 * 100 \\
 &= 105
 \end{aligned}$$

And for B

$$\begin{aligned}
 P_s B &= [1 - \frac{(1700000 - 1573437)}{1573437}] * 100 \\
 &= (1 - (0.08)) * 100 \\
 &= 0.92 * 100 \\
 &= 92
 \end{aligned}$$

Tender	Points	Locality (4)	PDI (4)	Women (1)	Disable	Total Points
A	105	4	2	0	1	112
B	92	0	0	1	0	93
C	79	1	2	0	0	82
D	89	4	4	1	0	98