



Policy Name	SUPPLY CHAIN MANAGEMENT POLICY
Council Resolution	APPROVED AND ADOPTED
Drafted by: Policy Manager	SUPPLY CHAIN MANAGER:
Recommended by:	CHIEF FINANCIAL OFFICER:
Approved by: Policy Authority	NLM COUNCIL
Municipal Manager Approval	
Approval Date	28 FEBRUARY 2013
Effective Date	01 MARCH 2013
Version Number	V 1:2

**Adopted in terms of section 111 of Municipal
Finance Management Act, No 56 of 2003**

Please note that this policy replaces the policy that was initially inserted in the arch lever file that was submitted to you in October 2012.

Contents

DEFINITIONS, ACCRONYMS AND ABBREVIATIONS	4
POLICY STATEMENT	12
Introduction.....	12
Goal	13
Objectives.....	13
Oversight	15
Compliance with ethical standards	16
GENERAL PROVISIONS AND APPLICATION OF THE POLICY	16
Commencement and review	16
Application of this policy.....	16
Delegations	18
Competency	19
Supply chain management unit.....	19
Communication with the SDM.....	19
Availability of supply chain management policy	19
DEMAND MANAGEMENT SYSTEM	20
Introduction.....	20
Major activities.....	20
ACQUISITION MANAGEMENT SYSTEM	21
Introduction.....	21
Application	22
Broad-Based Black Economic Empowerment (B-BBEE) Status Level Certificates	22
Supplier database	27
Combating abuse of the supply chain management policy.....	29
Appointment of Observer	30
Contracts having budgetary implications beyond Three Financial Years.....	31
Proudly South African Campaign.....	31
Specialised Forms of Procurement.....	31
Range of procurement processes.....	33

Competitive Bids	37
Formal Written Price Quotations.....	65
Written Price Quotations	67
Petty Cash Purchases.....	68
Appointment of Consultants.....	69
Deviation from the Procurement Processes.....	70
Unsolicited Bids.....	72
Obligation to Report	74
LOGISTICS MANAGEMENT SYSTEM.....	74
Introduction.....	74
Setting of Inventory Levels.....	75
Placing of orders	75
Receiving and Distribution of Goods	76
Stores and Warehouse Management.....	76
Expediting Orders.....	77
Transport Management.....	Error! Bookmark not defined.
Vendor Performance	77
Contract Management.....	77
DISPOSAL MANAGEMENT SYSTEM.....	83
Goal	83
Disposal Management System	83
Transfer or Permanent Disposal of Assets and the Granting of Rights.....	84
RISK MANAGEMENT SYSTEM.....	84
General.....	85
The Risk Management Process.....	85
Key Principles.....	85
PERFORMANCE MANAGEMENT SYSTEM.....	86
CODE OF ETHICAL STANDARDS.....	87
General.....	87
Inducements, Rewards, Gifts and Favours	88
Sponsorships.....	89
Objections and Complaints	89
Resolution of Disputes, Objections, Complaints and Queries	90

PREFERENTIAL PROCUREMENT STRATEGY	91
Introduction.....	91
Goals	92
Management Objectives	93
Socio-economic Objectives.....	93
Preferential Procurement Strategy Options.....	94
Sub-contracting	95
Performance Management	96
Preferential Procurement System.....	96
Spend Segmentation and Portfolio Analysis	99

DEFINITIONS, ACCRONYMS AND ABBREVIATIONS

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

1.1. Accounting Officer	Means the Accounting Officer as defined in the Municipal Finance Management Act.
1.2. Adjudication points	Means the points referred to in terms of Preferential Procurement Regulations, 2011.
1.3. All applicable taxes	Includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
1.4. Asset	Means a tangible or intangible resource capable of ownership.
1.5. Bidder	Means any person (natural and/or juristic) submitting a competitive bid or a quotation pursuant to definition 1.35.
1.6. Black people	Means Africans, Coloureds and Indians.
1.7. Broad-Based Black Economic Empowerment Act	Means the Broad-Based Black Economic Empowerment Act, Act 53 of 2003 and the Codes of Good Practice pertaining thereto.
1.8. B-BBEE Status level of contributor	Means the B-BBEE status received by a

	measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.
1.9. BVA	Means BEE Verification Agency
1.10. Capital Asset	Means: <ul style="list-style-type: none"> a. Any immovable asset such as land, property or buildings; or b. Any movable asset that can be used continuously or repeatedly for more than one year in production or supply of goods and services, for rental to others or for administrative purposes, and from which future economic benefit can be derived, such as plant, machinery and equipment.
1.11. CCA	Means Closed Corporations Act, Act No 69 of 1984
1.12. Closing Time	Means the time and day specified in the bid documents for the receipt of documents.
1.13. Comparative price	Means the price after the factors of a non firm price and all unconditional discounts that can be utilized have been taken into consideration.
1.14. Competitive Bidding Process	Means a competitive bidding process referred to in Regulation 12(1) (d) of the Municipal Supply Chain Management Regulations.
1.15. Competitive Bid	Means a bid in terms of the Competitive Bidding Process.
1.16. Construction Industry	Means the Construction Industry

Development Board (CIDB) Act	Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.
1.17. Construction Works	Means any work in connection with: <ul style="list-style-type: none"> a. The erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure; b. The installation, erection, dismantling or maintenance of a fixed plant; c. The construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or d. The moving of earth, clearing of land, the making of an excavation, pilling or any similar type of work.
1.18. Consortium or Joint Venture	Means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract.
1.19. Consultant	Means any person or entity providing services requiring knowledge based expertise and includes professional service providers.
1.20. Contract	Means the agreement that results from acceptance of a tender by an organ of state.
1.21. Contractor	Means any person or entity whose bid or quote has been accepted by the municipality.
1.22. 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, excluding provisional sums, contingencies and VAT.
1.23. Delegated Authority	Means any person or committee delegated with authority by the municipality in terms of the provision of the Municipal Finance Management Act.
1.24. Disability	In respect of a person, means 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.
1.25. Exempted Capital Asset	Means a municipal capital asset which is exempt by Section 14(6) or 90(6) of the MFMA from other provisions of that section.
1.26. Exempted Micro Enterprises (EMEs) “GENERIC”	<p>Means any enterprise with an annual total revenue of R 5000, 000 or less, with a certificate issued by the registered Auditor or Accounting Officer as contemplated in Section 60(4) of the Close Corporation Act No. 9 of 1984.</p> <p>Exempted Micro Enterprises are deemed to have a B-BBEE status level 4 contributor and if owned by more than 50% black people or by black women, it will be deemed to have a B-BBEE status level 3 contributor.</p>
1.27. Exempted Micro Enterprises “TOURISM”	Means any enterprise within the tourism sector an annual total revenue of R 2 500, 000 or less, with a certificate issued by the

	registered Auditor or Accounting Officer as contemplated in Section 60(4) of the Close Corporation Act No. 9 of 1984.
1.28. Exempted Micro Enterprises “CONSTRUCTION”	Means any enterprise within the construction sector with an annual total revenue of R 1, 500, 000 or less, with a certificate issued by the registered Auditor or Accounting Officer as contemplated in Section 60(4) of the Close Corporation Act No. 9 of 1984.
1.29. Final Award	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
1.30. Firm Price	Means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.
1.31. Formal Written Price Quotation	Means a written or electronic offer to the NLM in response to an invitation to submit a quotation.
1.32. Functionality	Means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a

	tenderer. "Functionality is also referred to as "Quality".
1.33. In the service of the state	Means: <ul style="list-style-type: none"> a. A member of any municipal council, any Provincial Legislature or the National Assembly or the National Council of Provinces; b. An official of any municipality or municipal entity; c. An employee of any National or Provincial Department, National or Public Entity or Constitutional Institution within the meaning of the Public Finance Management Act, 1 of 1999; d. A member of the board of directors of any municipal entity; e. A member of the Accounting Authority of any provincial or national public entity; and f. An employee of Parliament or a Provincial Legislature.
1.34. IRBA	Means Independent Regulatory Board of Auditors
1.35. Municipal Assets Transfer Regulations	Means the Municipal Assets Transfer Regulations published in Government Gazette 31346 of 22 August 2008.
1.36. Municipal Entity	Means an entity defined in the Systems Act.
1.37. Municipal Finance Management Act (MFMA)	Means the Local Government: Municipal Finance Management Act, 56 of 2003.
1.38. 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.
1.39. Non-firm prices	Means all prices other than “firm prices”
1.40. Person	Includes the natural or juristic entity.
1.41. Policy	Means this Supply Chain Management Policy as amended from time to time.
1.42. Preferential Procurement Policy Framework Act (PPPFA)	Means the Preferential Procurement Policy Framework Act, 5 of 2000.
1.43. Preferential Procurement Regulations	Means the regulations pertaining to PPPFA.
1.44. Prime Contractor	Shall have the same meaning as the contractor.
1.45. Promotion of Administrative Justice Act	Means the Promotion of Administrative Justice Act, 3 of 2000.
1.46. QSE	Means Qualifying Small Enterprise.
1.47. Rand value	Means the total estimated value of a contract in South African currency, calculated at the time of tender invitations, and includes all applicable taxes and excise duties.
1.48. Republic	Means Republic of South Africa.
1.49. Responsible Agent	Means those internal project managers being the NLM officials or external consultants appointed by the NLM responsible for the administration of a project or contract.
1.50. Responsive bid/quotation	Means a bidder that: <ul style="list-style-type: none"> a. Complies in all respects with the specification and conditions of the bid. b. Has completed and signed all the prescribed bid forms to enable NLM to evaluate the submitted bid. c. Has submitted the required original

	<p>tax clearance certificate and other clearance/registration forms as prescribed by the Income Tax Act and/or in the bid documentation.</p> <p>d. Has the necessary capacity and ability to execute the contract.</p> <p>e. Have its municipal rates and taxes and municipal services charges account in order.</p>
1.51. SANAS	Means South African National Accreditation System
1.52. SARS	Means South African Revenue Services
1.53. NLM	Means Ngwathe Local Municipality
1.54. SME's	Small, Medium and Micro Enterprises bears the same meaning assigned to this expression in the National Small Business Act, 102 of 1996.
1.55. SASAE	Means South African Standard on Assurance Engagements
1.56. Sub-contractor	Means any person 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 the contract.
1.57. Supplier/Vendor	Are generic terms which may include suppliers of goods and services, contractors and/or consultants.
1.58. Supplier Database	Means the list of accredited prospective providers which the municipality or municipal entity must keep in terms of Regulation 14 of the Municipal Supply Chain Management Regulations published in Government

	Gazette 27636 of 30 May 2005.
1.59. Systems Act	Means Local Government: Municipal Systems Act, 32 of 2000.
1.60. Tender/Tenderer	Means bid/bidder in the context of construction works procurement.
1.61. Term bid	Means a rates based bid for adhoc or repetitive supply of goods, services or construction works, where the individual rates are approved for use over a specified contract period.
1.62. Treasury Guidelines	Means any guidelines on supply chain management issued by the Minister in terms of Section 168 of the MFMA.
1.63. Unsolicited Bid	Means an offer submitted by any person at its own initiative without having been invited by the NLM to do so.

1. 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.
2. All amounts/limits stated in this document shall be deemed to be included of Value Added Tax (VAT).

POLICY STATEMENT

Introduction

3. Section 217(1) of the Constitution of the Republic requires when an organ of the state in the National, Provincial or Local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

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.

Goal

6. The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within NLM, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives.
 - 6.1. To impact significantly on improving the quality of life of the people of NLM;
 - 6.2. Growing the local economy by promoting the competitiveness of local businesses;
 - 6.3. Ensure redress of inherited skewed ownership patterns and opportunities for the people of NLM with reference to historically disadvantaged groupings;
 - 6.4. Continuing improvement in value for money;
 - 6.5. Enhance competitiveness;
 - 6.6. Enhance efficient and effective procurement practices;
 - 6.7. Enhance integrity, honesty, transparency and combat corruption; and
 - 6.8. Stimulate and promote Local Economic Development [LED] in a targeted and focused manner.

Objectives

- 6.9. That the procurement of goods and services is in line with Government's broader policy objectives.
- 6.10. The compliance with the regulatory framework, minimum norms and standards; and consistency with other applicable legislation and any regulations pertaining thereto:

- 6.10.1. Constitution of the Republic of South Africa 1996 as adopted on 8 May 1996 and amended on the 11 October 1996 by the Constitutional Assembly Act No. 108 of 1996;
 - 6.10.2. Municipal Finance Management Act No 56 of 2003;
 - 6.10.3. Broad Based Black Economic Empowerment Act No. 53 of 2003;
 - 6.10.4. Preferential Procurement Policy Framework Act No. 5 of 2000;
 - 6.10.5. Municipal Finance Management Regulations, issued in terms of section 168;
 - 6.10.6. Supply Chain guidelines and SCM practice notes and circulars, as issued by National Treasury;
 - 6.10.7. Municipal Systems Act No 32 of 2000;
 - 6.10.8. The King Report II on Corporate Governance for SA 2002;
 - 6.10.9. The Prevention and Combating of Corrupt Activities Act No 12 of 2004;
 - 6.10.10. Public Service Act No. 103 of 1994);
 - 6.10.11. The National Small Enterprise Act No 102 of 1996;
 - 6.10.12. The Construction and Industry Development Board Act No 38 of 2000;
 - 6.10.13. Promotion of Access to Information Act No. 2 of 2000;
 - 6.10.14. Protected Disclosure Act No 26 of 2000; and
 - 6.10.15. Promotion of Administrative Justice Act No 3 of 2000.
- 6.11. That the supply chain process is fair, effective, transparent, competitive and cost effective.
 - 6.12. The provision of efficient procurement, delivery of goods and services and safeguarding of NLM's assets.
 - 6.13. The efficient, effective and uniform planning for, and procurement of, all goods and services required for the proper functioning of NLM.
 - 6.14. That goods and services needs are aligned to both the strategic plan and budget of NLM.
 - 6.15. The promotion of fiscal discipline associated with the procurement of goods and services.
 - 6.16. Obtaining of the best value for money when procuring goods and services.
 - 6.17. Reduction of financial exposure and risk to all parties.
 - 6.18. That effective control is communicated to management and officials through clear and comprehensive written documentation.

7. This Policy will also strive to ensure that the objectives of 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

8. Section 117 of the Municipal Finance Management Act prohibits any NLM Councillor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may NLM Councillor attend any such meeting as an observer.
9. Council, however, has an oversight role to ensure that the Accounting Officer implements this Supply Chain Management Policy.
10. The Mayor must provide general political guidance over the fiscal and financial affairs of the NLM and may monitor and oversee the exercise of responsibilities assigned to the Accounting Officer and the Chief Financial Officer in terms of the Municipal Finance Management Act.
11. For the purpose of such oversight, the Accounting Officer, shall within 10 (ten) days at the end of each quarter, submit a report on the implementation of this Policy to the Mayor and, within 30 (thirty) days of the end of each financial year, shall submit a similar such report to Council.
12. In addition, if any serious problem arises in relation to the implementation of this Policy, the Accounting Officer shall immediately report such to Council accordingly.
13. All such reports shall be made public in accordance with Section 21(1)(a) of the Systems Act.

Compliance with ethical standards

14. 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 Accounting Officer and all the representatives of the NLM involved in Supply Chain Management activities shall act with integrity and in accordance with the highest ethical standards.
15. 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 THE POLICY

Commencement and review

16. This Policy is effective from the date on which it is adopted by Council.
17. The Accounting Officer must annually review the implementation of this Policy and if he considers it necessary, submit proposals for amendment of the Policy to the Council for approval.

Application of this policy

18. This Policy applies to:
 - 18.1. The procuring of goods or services, including construction works and consultancy services;
 - 18.2. The disposal by the NLM of goods/assets no longer needed;

18.3. 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

18.4. 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.

19. Unless specifically stated otherwise, the Policy does not apply if the NLM contracts with another organ of state for:

19.1. The provision of goods or services to the NLM;

19.2. The provision of a municipal service; or

19.3. 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.

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

20. The Policy provides for the following Supply Chain Management Systems:

20.1. Demand management system;

20.2. Acquisition management system;

20.3. Logistics management system;

20.4. Disposal management system;

20.5. Risk management system; and

20.6. Performance management system.

21. These activities must be adhered to in all supply chain management activities undertaken by the NLM.

Delegations

22. To the extent that it may be necessary, Council authorises the Accounting Officer to delegate or sub-delegate to a staff member any power conferred on the Accounting Officer in terms of the Municipal Finance Management Act and Supply Chain Management Regulations.

23. General rules

- 23.1. All SCM activities must be executed in accordance with pre-established levels of authority through delegations, to ensure control and division of responsibility.
- 23.2. A delegation of authority shall be in writing and be made to a specific individual or holder of a specific post in the municipality.
- 23.3. A delegation or sub-delegation of authority may be confirmed, varied, or revoked by the person making the delegation or sub-delegation, but no such variation or revocation of a delegation or sub-delegation may detract from any right that may have accrued as a result of that delegation or sub-delegation.
- 23.4. Only the Accounting Officer is entitled to confirm, vary or revoke any decision taken in consequence of a delegation, provided that no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.
- 23.5. The Council may not delegate any SCM powers or duties to a person who is not an official of NLM.
- 23.6. The voting members of the committee must exclusively be composed of officials of NLM
- 23.7. The Accounting Officer may not delegate and sub-delegate any SCM powers or duties to:
 - a) A person who is not an official of NLM.

- b) Any political structure or political office-bearer of NLM and any of the powers or duties assigned to Accounting Officer in terms of this Act.
- 23.8. An official to whom the power to make final awards has been delegated may not in any way be permitted to make a final award in a competitive bidding process, but should only do so through a committee system.

Competency

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

26. The NLM has established a Supply Chain Management Unit to assist the Accounting Officer to implement this Policy.

Communication with the NLM

27. All correspondence with regard to this Policy shall be addressed in writing to the Manager: Supply Chain Management.

Availability of Supply Chain Management Policy

28. A copy of this policy and other relevant information **MUST** be available on the NLM's website. www.ngwathe.co.za

DEMAND MANAGEMENT SYSTEM

Introduction

29. The demand management system of NLM must ensure that the resources required support the strategic and operational commitments; and goods and services are delivered:

- 29.1. Timeously;
- 29.2. At the right price;
- 29.3. At the right location;
- 29.4. At the right quantity and quality; and
- 29.5. Satisfy the needs of NLM.

Major activities

30. Demand management must translate the annual plan (SDBIP) and multi-year business plan (IDP) of NLM into current and future needs. The process should consider the following as a minimum:

- 30.1. Understanding of the current and future needs;
- 30.2. Linking the requirements with the budget;
- 30.3. Ensuring that the need forms part of the IDP of the municipality;
- 30.4. Consideration of the optimum method to satisfy the need e.g. possibility of procuring goods and services using transversal or ad hoc contracts;
- 30.5. Consideration of an analysis of previous expenditure in order to determine the manner in which the particular need was fulfilled in the past;
- 30.6. Indication of the frequency of the specified requirement;
- 30.7. Assessment of available assets;
- 30.8. Determination of the economic order quantity;
- 30.9. Identification of lead and delivery times;
- 30.10. Planning for publication; and
- 30.11. Conducting an industry and commodity analysis.

31. The demand management function lies at the beginning of the supply chain and is a cross functional exercise which necessitates end users involvement in NLM activities and this shall be performed by a Cross Functional Sourcing Team (CFST) that consists of individuals having the relevant expertise.

32. The CFST composition shall be as follows:

- 32.1. Manager: Supply Chain Management;
- 32.2. Manager: Financial Management and Budgets;
- 32.3. IDP / IGR Manager;
- 32.4. Demand Management Specialist/ delegated official(s);
- 32.5. Relevant end-users from Department; and

33. The major activities of Cross Functional Sourcing Team, shall be:

- 33.1. Establishing requirements;
- 33.2. Determining the needs; and
- 33.3. Deciding on appropriate procurement strategies.

ACQUISITION MANAGEMENT SYSTEM

Introduction

34. The objectives of this Acquisition Management System are to ensure:

- 34.1. That goods and services, including construction works and consultancy services are procured by NLM only in accordance with the authorised procedures incorporated herein;
- 34.2. That expenditure on goods and services, construction works and consultancy services is incurred in terms of the approved budget;
- 34.3. That the threshold values of different procurement procedures are complied with;

- 34.4. That bid documentation, evaluation and adjudication criteria, general conditions of contract and any special conditions of contract are in accordance with the requirements of the relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act;
- 34.5. That procurement guidelines issued by National or Provincial Treasuries are taken into account; and
- 34.6. That NLM avoids incurring unauthorised, irregular, fruitless and wasteful expenditure.

Application

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 NLM.

Broad-Based Black Economic Empowerment (B-BBEE) Status Level Certificates

35. 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.
 - 35.1. 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 B-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 B-BBEE.
 - 35.2. A trust, consortium or joint venture must submit a consolidated B-BBEE Status Level Verification Certificate for every separate bid.
 - 35.3. Public entities and tertiary institutions must also submit B-BBEE Status Level Verification Certificates together with their bids.

- 35.4. 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.
- 35.5. 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.
- 35.6. 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.
- 35.7. Accounting Officer must ensure that the B-BBEE Status Level Verification Certificates submitted are issued by the following agencies:

35.8. Bidders other than EMEs

- 35.8.1. Verification agencies accredited by SANAS; or
35.8.2. Registered auditors approved by IRBA.

35.9. Bidders who qualify as EMEs

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

35.10. VALIDITY OF B-BBEE STATUS LEVEL VERIFICATION CERTIFICATES

35.10.1. Verification agencies accredited by SANAS

- 35.10.1.1. These certificates are identifiable by a SANAS logo and a unique BVA number.
 - 35.10.1.2. Confirmation of the validity of a B-BBEE Status Level Verification Certificate can be done by tracing the name of the issuing Verification Agency to the list of all SANAS accredited agencies. The list is accessible on http://www.sanas.co.za/directory/bbee_default.php.
 - 35.10.1.3. The relevant BVA may be contacted to confirm whether such a certificate was issued.
- 35.11. As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:
- 35.11.1. The name and physical location of the measured entity;
 - 35.11.2. The registration number and, where applicable, the VAT number of the measured entity;
 - 35.11.3. The date of issue and date of expiry;
 - 35.11.4. The certificate number for identification and reference;
 - 35.11.5. The scorecard that was used (for example EME, QSE or Generic);
 - 35.11.6. The name and / or logo of the Verification Agency;
 - 35.11.7. The SANAS logo;
 - 35.11.8. The certificate must be signed by the authorized person from the Verification Agency; and
 - 35.11.9. The B-BBEE Status Level of Contribution obtained by the measured entity.

35.12. Registered auditors approved by IRBA

The format and content of B-BBEE Status Level Verification Certificates issued by registered auditors approved by IRBA must -

- 35.12.1. Clearly identify the B-BBEE approved registered auditor by the auditor's individual registration number with IRBA and the auditor's logo;
 - 35.12.2. Clearly record an approved B-BBEE Verification Certificate identification reference in the format required by the SASAE;
 - 35.12.3. Reflect relevant information regarding the identity and location of the measured entity;
 - 35.12.4. Identify the Codes of Good Practice or relevant Sector Codes applied in the determination of the scores;
 - 35.12.5. 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
 - 35.12.6. 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.
- 35.13. 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.

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

- 35.14.1. 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.

- 35.14.2. The content of B-BBEE Status Level Verification Certificates issued by accounting officers as contemplated in the CCA is detailed in paragraph 35.15.below.

35.15. VERIFICATION CERTIFICATES IN RESPECT OF EMEs

- 35.15.1. In terms of the Generic Codes of Good Practice, an enterprise including a sole propriety with annual total revenue of R5 million or less qualifies as an EME.
- 35.15.2. 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 respectively.
- 35.15.3. 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”.
- 35.15.4. 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.
- 35.15.5. When confirming the validity of a certificate in respect of an EME, the following should be detailed on the face of the certificate:
- 35.15.5.1. The Accounting Officer’s or Registered Auditor’s letter head with full contact details;
 - 35.15.5.2. The Accounting Officer’s or Registered Auditor’s practice numbers;

- 35.15.5.3. The name and the physical location of the measured entity;
- 35.15.5.4. The registration number and, where applicable, the VAT number of the measured entity;
- 35.15.5.5. The date of issue and date of expiry;
- 35.15.5.6. The B-BBEE Status Level of Contribution obtained by the measured entity; and
- 35.15.5.7. The total black shareholding and total black female shareholding.

36. Any enquiries in respect of B-BBEE Status Level Verification Certificates may be directed to the Department of Trade and Industry (dti) as follows:

Ms Makhosazana Seate

Director: Empowerment and Enterprise Development Division (EEDD)

Tel: (012) 394 1694

Fax: (012) 394 2694

E-mail: MSeate@thedti.gov.za

Supplier database

37. The Accounting Officer shall ensure that the NLM's Supplier Database is updated at least quarterly and at least once per year shall, through newspapers commonly circulating locally, the website of NLM, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultancy services to apply for listing as an accredited prospective supplier.

38. Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time.

39. The listing criteria for accredited prospective providers are:

- 39.1. Name of the entity/individual;
- 39.2. Physical and postal address;
- 39.3. Entity type, for example public company, private company, close corporation, partnership, or sole trader;
- 39.4. Appropriate registration numbers e.g. Close Corporation, Company registration numbers, etc;
- 39.5. Contact details, i.e. telephone number, cell phone number, facsimile number and e-mail if applicable;
- 39.6. Name(s) of director(s), member(s), partner(s) and owner(s)/principal(s) of the entity;
- 39.7. Annual turnover of the entity/individual;
- 39.8. HDI equity and BEE/BBBEE profile of the entity;
- 39.9. Proof of the entity's tax affairs and municipal utilities account being in order **(compulsory)**;
- 39.10. List of products/services offered, linked to requirement categories and regions/ areas applicable as determined by NLM;
- 39.11. The entity's indication of its capacity and capability;
- 39.12. Specific expertise vested in the entity/individual, linked to requirement categories and regions/ areas applicable as determined by NLM;
- 39.13. A list of relevant previous/current projects with at least 2 contactable references;
- 39.14. Bank details (physical, postal and electronic banking address), including a bank stamp or cancelled cheque;
- 39.15. VAT Registration yes/no
- 39.16. VAT Registration Number;
- 39.17. Valid Tax Clearance Certificate;
- 39.18. CIDB Registration, if applicable;
- 39.19. BEE Certificate; and
- 39.20. Valid Certification in the case of Exempted Micro Enterprises.

40. The Accounting Officer shall disallow the listing of any prospective provider whose name appears on the National Treasury's Database of Restricted Suppliers.

41. For Formal Written Quotations (Up to the value of R 200, 000 VAT included), bidders are required to be registered on the NLM's Supplier Database on or before the closing date in order for their quotations to be responsive.
42. Where bids exceed R 200, 000 (VAT included), bidders who are not registered on the NLM's Supplier Database are not precluded from submitting bids, but must however be registered prior to the evaluation of tenders in order for their tenders to be responsive.
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 Accounting Officer 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 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 in the execution of the contract that benefited that person.

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

45.1. Has 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 (3) months;

45.2. Failed during the last five (5) years, to perform satisfactorily on a previous contract with NLM 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 NLM or has committed any improper conduct in relation to the system;

45.4. Been convicted of fraud or corruption during the past five (5) years;

45.5. Wilfully neglected or reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

45.6. Been registered in the Register of 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 Accounting Officer shall inform the Provincial Treasury of any actions taken in terms of clauses 44 and 45 above.

Appointment of Observer

47. Where appropriate, the Accounting Officer 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 NLM may not enter into any contract that will impose financial obligations beyond the three 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 NLM supports the Proudly South African Campaign and may identify, as a specific goal the promotion of South African owned enterprises.

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 other organs of state or public entity (Including 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.

51. The Accounting Officer 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 the 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 or 85 of the Municipal Finance Management Act; and
 - 52.3. May not be for a period longer than five (5) years at a time.
53. The process for procuring a contract for banking services must commence at least nine (9) months before the end of an existing contract.
54. The closing date for the submission of bids for banking services may not be less than sixty (60) days from the date on which the advertisement is placed in a newspaper 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 Accounting Officer must notify the State Information Technology Agency (SITA) together with the motivation of the IT needs of NLM.
57. If SITA comments on the submission and the NLM disagrees with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, Provincial and National Treasury, and the Auditor General prior to awarding the bid.

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

60. Where the storage of goods other than water in bulk is justified, the Accounting Officer may authorise such storage and the decision must be based on sound reason including the total cost of ownership and cost advantages for the NLM.

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 to NLM 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 NLM, there is no requirement for competitive bidding process to be followed.

Range of procurement processes

63. Goods and services, including construction works and consultancy services shall be procured through the range of procurement processes set out below.

Competitive Bids

64. Where the estimated transaction value exceeds R 200 000 (VAT included), or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).

Formal Written Price Quotations

65. Where the estimated transaction value exceeds R30 000 (VAT included) and is less than or equal to R 200 000 (VAT included).

Written Price Quotations

66. Where the transaction value exceeds R 2 000 (VAT included) and is less than or equal to R 30 000 (VAT included).

Petty cash purchases

67. Where the transaction value is less than or equal to R 2 000 (VAT included).

Procurement of Consulting Services.

68. Where the estimated value of fees exceeds R 200 000 (VAT included) or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.

69. Where the estimated value of fees is less than or equal to R 200 000 (VAT included) and the duration of the contract 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.

70. The Accounting Officer may:

70.1. Lower, but not increase the different threshold values specified in the acquisition management system of this Policy; or

70.2. Direct that:

70.2.1. Written quotations be obtained for any specific procurement of a transaction value lower than R 5 000;

70.2.2. Formal Written Price Quotations be obtained for any specific procurement of a transaction value lower than R 30 000; or

70.2.3. A competitive bidding process be followed for any specific procurement of a transaction value lower than R 200 000.

General Conditions Applicable to Bids and Quotations

71. NLM shall not consider a bid or quote unless the bidder who submitted the bid or quote:

71.1. Has furnished NLM with that bidder's:

71.1.1. Full name;

71.1.2. Identification number or company or other registration number; and

71.1.3. Tax reference number;

71.1.4. VAT Registration number, if applicable; and

71.1.5. Certificate of attendance at a compulsory site inspection, where applicable.

71.2. Has submitted an original and valid tax clearance certificate certifying that the provider's tax matters are in order;

71.3. Has indicated whether:

71.3.1. The provider is in the service of the state, or has been in the service of the state in the previous twelve months;

71.3.2. If the provider is not the natural person, whether any of its 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

71.3.3. Whether the spouse, child or parent of the director, manager or shareholder or stakeholder referred to in sub-clause 69.3.2. is in the service of the state, or has been in the service of the state in the previous twelve months.

72. Irrespective of the procurement process, NLM may not make any award above R 10 000, to a person whose tax matters have not been declared by the SARS to be in order.

73. Before making an award, NLM must check with SARS if the person's tax matters are in order and, if SARS does not respond within seven days such person's tax matters may, for the purposes of clause 72, be presumed to be in order.

74. Irrespective of the procurement process followed, NLM is prohibited from making an award to a person:

74.1. Who is in the service of the state;

74.2. 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

74.3. Who is an advisor or consultant contracted with NLM (Refer to clause 88 in this regard).

75. The Accounting Officer shall ensure that the notes to the annual financial statements of NLM disclose particulars of awards above R 2 000 to a person who is a spouse, child or parent of a person in the service of the state in the previous twelve months, including:

75.1. The name of the person;

75.2. The capacity in which the person is in the service of the state; and

75.3. The amount of the award.

Competitive Bids

General

76. Competitive bids must be called for any procurement of goods or services, construction works, or consultancy services above a transaction value of R 200 000 (VAT included), or for any contract exceeding one year in duration.
77. Good or services, construction works or consultancy services may not be split into parts or items of lesser value merely to avoid complying with the requirements relating to competitive bids.
78. When determining transaction values, a requirement for goods or services, construction works or consultancy services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

Bid Specifications

79. Bid Specifications must be drafted In an unbiased manner to allow all potential prospective providers to offer their goods and services;
80. Bid Specifications must take into account any accepted standards such as those issued by South African Bureau of Standards, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
81. Bid Specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

82. Bid Specifications may not create any trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
83. Bid Specifications may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer, unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case, such reference must be accompanied by the words "equivalent";
84. Bid Specifications and/or bid documentation must indicate each specific goal for which points may be awarded in terms of the points system;
85. Bid Specifications must be approved by the Accounting Officer or his delegated authority prior to publication of the invitation of bids.
86. Bid specifications must be compiled taking into consideration clause 328 on Contract Management.
Bid Specifications Committee (BSC).
87. The Bid Specification Committee shall be comprised of at least four officials, appointed Chairperson and at least one Supply Chain Management Practitioner of NLM.
88. The BSC shall be composed of 3 to 5 members made up as follows:
 - 88.1. Assistant Manager: Demand and Acquisition Management;(Chairperson)
 - 88.2. Budget and Expenditure Manage;
 - 88.3. Risk and Compliance Manager;; and
 - 88.4. End-user Department (Expert).

89. No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
90. Where appropriate a representative of Internal Audit and/or Legal Services and/or external specialist advisor may form part of this committee.
91. In the development of bid specifications, innovative mechanisms should be explored to render the service to product in a more resource and energy efficient manner.
92. The Accounting Officer or his delegated authority, shall, in taking account of Section 117 of the MFMA, appoint the members of the BSC.
93. Bid Specification Committee meetings must be conducted in accordance with the applicable Rules of Order Regulating the Conduct of Meetings.

COMPILATION OF BID DOCUMENTATION

94. 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.
95. General Conditions of Contract and supply chain management guidelines of the National and Provincial Treasuries in respect of goods and services must be taken into account when compiling bid documents.
96. 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.

97. An appropriate contract and/or delivery period must be specified for all contracts.
98. The requirements of Preferential Procurement Strategy Section of this Policy must be clearly set out in the bid documentation.
99. 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.
100. The bid documentation must require a bidder to furnish the following:
 - 100.1. The bidder's full name;
 - 100.2. The identification number or company or other registration number;
 - 100.3. The bidder's tax reference number and VAT registration number where applicable; and
 - 100.4. An original valid tax clearance certificate from the South African Receiver of Revenue Services stating that the bidder's tax matters are in order.
101. 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.
102. A provision for the termination/cancellation of the contract in the case of none or under performance must be included in the bid documentation.
103. Unless otherwise indicated in the bid documents, the NLM shall not be liable for any expenses incurred in the preparation and/or submission of a bid.
104. Bid documentation must state that the NLM shall not be obliged to accept the lowest bid, any alternative bid or any bid.
105. Unless the Accounting Officer otherwise directs, bids are invited in the Republic only.

106. Laws of the Republic shall govern contracts arising from the acceptance of bids.
107. Bid documentation must compel bidders to disclose:
- 107.1. 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;
 - 107.2. If the bidder is not the natural person, whether any of its 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
 - 107.3. Whether a spouse, child or parent of the bidder or of a director, manager, principal shareholder or stakeholder referred to in sub-clause 107.2 is in the service of the state, or has been in the service of the state in the previous twelve months.
108. Bid documentation for consultancy services must require bidders to furnish the NLM 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.
109. Bid documentation for consultancy 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 NLM, shall vest with NLM.

Bids Exceeding R10 million (VAT included)

110. If the estimated value of the transaction exceeds R10 million (VAT included), the bid documentation must require the bidders to furnish:
- 110.1. If the bidder is required by law to prepare annual financial statements for auditing purposes, the audited financial statements-

- 110.1.1. For the past three years; or
- 110.1.2. Since their establishment if established during the past three years;

- 110.2. A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal service/s towards a municipality or other service provider in respect of which the payment is overdue for more than 30 days;
- 110.3. 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 a contract, and
- 110.4. 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 NLM is expected to be transferred out of the Republic.

Alternative Bids

- 111. 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;

- 112. 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.

- 113. Bid documents shall state that the NLM will not be bound to consider alternative bids.

Public Invitation for Competitive Bids

- 114. On completion of the bid specifications and bid document process the NLM shall publicly invite the bids.

- 115. Bid invitation shall be by notice published in the press, in national newspapers; newspapers circulating in the NLM's area of jurisdiction, in English and on the NLM's official website.

116. The bid notice shall, as soon as possible after publication contemplated above, be posted on the notice boards designated by the Accounting Officer.
117. The bid notice may require payment of a non-refundable tender fee by bidders wanting to collect bid documents. This tender fee shall be determined by the Manager: Supply Chain Management through the tariff setting process of NLM.
118. The public notice contemplated by clause 115 above shall specify:
 - 118.1. The titled of the proposed contract and the bid or contract reference number;
 - 118.2. Such particulars of the contract as the NLM deems fit;
 - 118.3. The date, time and location of any site inspection/briefing session, if applicable;
 - 118.4. The place where the bid documentation is available for collection and the times between which bid documentation may be collected;
 - 118.5. That bids may only be submitted on the bid documentation provided by NLM;
 - 118.6. The deposit payable, if any;
 - 118.7. The place where bids must be submitted;
 - 118.8. The closing date and time for submission of bids; and
 - 118.9. The required CIDB contractor grading for construction work.
119. 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; and
120. Bid documentation shall be available for collection until the closing date of the bids.

Issuing of bid documents

121. Bid documents and any subsequent notices may only be issued by officials designated by the Manager: Supply Chain Management from time to time;

122. Details of all prospective bidders must, however 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 inspection/briefing sessions

123. In general, site inspections/briefing sessions, where applicable will not be compulsory. In exceptional circumstances however, a site inspection/briefing session may be made compulsory with the approval of the Manager: Supply Chain Management, provided that the minimum bid period is extended by at least 7 (seven) days. (Refer to clauses 152 and 155 in this regard).
124. If the site inspections/briefing sessions are to be held, full details must be included in the bid notice, including whether or not the site inspection is compulsory.
125. Where site inspections/briefing sessions are made compulsory, the date of the site inspection/briefing session shall be at least 7 (seven) days after the bid has been advertised.
126. If at a site meeting/briefing session meeting, any additional information is provided or clarification of the vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with clause 159 to 161 of this Policy.

Two-stage (Prequalification) Bidding Process

127. 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.
128. 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.

129. 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 the duration exceeding three years.
130. The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids (clauses 114 to 120 refer).
131. 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 System

132. 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 180 to 185 refer).

Validity Periods

133. The period for which bids are to remain valid and binding must be indicated in the bid documents.
134. 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.
135. 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.

136. Any such extension shall be agreed to by a bidder in writing.
137. 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.
138. 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 finalised. 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.

Contract Price Adjustment

139. For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents.
140. 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.
141. 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.
142. Notwithstanding clause 140, if the bid validity period is extended, the contract price adjustment may be applied.

Contracts providing for Compensation Based on Turnover

143. If a service provider acts on behalf of the NLM 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 NLM must stipulate;

143.1. A cap on the compensation payable to the service provider; and

143.2. That such compensation must be performance based.

Provisional Sums and Prime Cost Items

144. 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 subcontractors/ suppliers, then a competitive bidding process, as determined by the Manager: Supply Chain Management from time to time, shall be followed in respect of these sums/items.

145. 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

146. 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.

147. Bids may not be included in parcels containing samples.

148. 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.

149. Samples shall be supplied by a bidder at his/her own expense and risk. The M 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.
150. 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

151. Bids shall close on the date and at the time stipulated in the bid notice.
152. For bids of goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.
153. For construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.
154. 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.
155. For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
156. For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.

157. The bid closing date may be extended by the Accounting Officer 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 Accounting Officer, and a notice to all bidders to this effect shall be issued.

158. The Accounting Officer may determine a closing date for the submission of bids which is less than any of the periods specified in clauses 152 to 156 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

159. The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing.

160. Such communication shall be in the form of a notice issued to all bidders by the Manager: Supply Chain Management 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.

161. 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 158 have been complied with.

Submission of Bids

162. Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.
 163. 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.
 164. The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, 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.
 165. 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.
 166. Postal bids will not be accepted for consideration.
 167. 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.
 168. Electronic bids will not be accepted.
 169. 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.
 170. No person may amend or tamper with any bids or quotations after their submission.
- Late Bids

171. A bid is late if it is not placed in the relevant bid box by the closing time for such bid.
172. 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

173. At the specified closing time on the closing date the applicable bid box shall be closed.
174. The bid box shall be opened in public as soon as practical after the closing time.
175. Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.
176. The official opening the bids shall in all cases read out the name of the bidder and, if practical, the amount of the bid.
177. As soon as a bid or technical proposal has been opened:
 - 177.1. The bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;
 - 177.2. The name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and
 - 177.3. The responsible official who opened the bid shall forthwith place his/her signature on the bid opening record.
178. 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 NLM 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 bid box shall be kept.

179. 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 for the correct bid it will be read out. 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 NLM 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

180. If a two envelope system is followed, only the technical proposal will be opened at the bid opening.
181. 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.
182. When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official in accordance with clauses 176 and 177.
183. All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
184. 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).
185. 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

186. Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the responsible official delegated by the Manager : Supply Chain Management to open the bid, in the following instances:
- 186.1. If the bid is not sealed;
 - 186.2. The bid, including the bid price/tendered amount, where applicable is not submitted on the official Form of Bid/Offer;
 - 186.3. If the bid is not completed in non-erasable ink;
 - 186.4. If the Form of Bid/Offer has not been signed;
 - 186.5. If the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
 - 186.6. If in a two envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
 - 186.7. 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

187. 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.
188. All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

Bid Evaluation

General

189. The NLM shall not be obliged to accept any bid.
190. For goods and services bids, NLM 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

191. The Accounting Officer shall appoint all the Bid Evaluation Committee members, as necessary per requirement.
192. The Bid Evaluation Committee shall be comprised of at least four NLM officials as appointed by the Accounting Officer, composed of the following:
 - 192.1. Manager: Supply Chain Management (Chairperson);
 - 192.2. Financial Management Senior Manager;
 - 192.3. Manager: Human Resources (Legal and Support Services); and
 - 192.4. End-user Department (Expert)
 - 192.5. Bid Specification Committee: Chairperson (Observer).
193. Where appropriate, a representative of Internal Audit may form part of this committee, which may also include other internal specialists/experts as necessary. External experts/specialists may advise the Bid Evaluation Committee, as required.
194. The Accounting Officer, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of Bid Evaluation Committee.
195. Bid Evaluation Committee meetings must be conducted in accordance with the applicable rules of order regulating the conduct of meetings.

Bid Evaluation

196. The Responsible Department shall carry out a preliminary technical evaluation of all valid bids received and shall submit a technical evaluation report to the Bid Evaluation Committee for consideration.

197. The following bids shall not be included in the evaluation report, a bidder:
 - 197.1. Whose bid was endorsed as being invalid by the responsible official at the bid opening;
 - 197.2. Who does not comply with the provisions for combating abuse of this Policy;
 - 197.3. Whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
 - 197.4. Whose bid is not in compliance with the specification;
 - 197.5. Whose bid does not meet the minimum score for functionality, if applicable;
 - 197.6. Whose bid is not in compliance with the terms and conditions of the bid documentation;
 - 197.7. Whose bid does not comply with any minimum goals stipulated in terms of the preferential procurement section of this Policy;
 - 197.8. Who is not registered and verified on the NLM's supplier database. In this regard bid documentation shall state that the responsibility for registration and verification rests solely with the bidder;
 - 197.9. 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;
 - 197.10. 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
 - 197.11. Whose municipal rates and taxes account and municipal service charges are in arrears for three months.

198. Bids shall be evaluated according to the following as applicable:
- 198.1. Bid price (corrected if applicable and brought to a comparative level where necessary);
 - 198.2. The unit rates and prices;
 - 198.3. The bidder's ability to execute the contract;
 - 198.4. Any qualifications to the bid;
 - 198.5. The bid ranking obtained in respect of preferential procurement as required by this Policy;
 - 198.6. The financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable; and
 - 198.7. Any other criteria specified in the bid documents.
199. 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.
200. 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.
201. Additional information or clarification of bids may be called for if required but only in writing.
202. Only a bidder who has completed and signed the declaration part of the tender documentation may be considered.
203. NLM must, when calculating comparative prices, take into account any discounts that have been offered unconditionally.
204. A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected
205. Points scored must be rounded off to the nearest 2 decimal places.

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 NLM 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. In the event that two or more bidders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for B-BBEE.
210. However, when functionality is part of the evaluation process and two or more tenders have scored equal points including equal preference points for B-BBEE, the successful tender must be the one scoring the highest score for functionality.
211. Should two or more tenders be equal in all respects, the award shall be decided by the drawing of lots or may, in the case of goods and services, Bid Evaluation Committee may recommend splitting the award proportionately, where applicable.
212. 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

213. The Bid Evaluation Committee shall, having considered the Responsible Department's technical evaluation 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 Committee

214. The Bid Adjudication Committee shall comprise at least three Directors, and shall include:
- 214.1. The Chief Financial Officer or another Director delegated by the Chief Financial Officer on (<10 000 000); Chairperson
The Accounting Officer or delegated CFO ON (>10 000 000);
 - 214.2. Manager: Legal Support and Services;
 - 214.3. Strategic Executive Support Services Manager
 - 214.4. Manager Supply Chain Management -observer; and
 - 214.5. A technical expert in the relevant field who is an official of the NLM, if the NLM has such an expert.
215. The Accounting Officer 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.
216. Neither a member of a Bid Specification Committee, Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

Adjudication and Award

217. 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 Accounting Officer on how to proceed with the relevant procurement.
218. The Bid Adjudication Committee may make an award to a preferred bidder, subject to the Accounting Officer negotiating with the preferred bidder in terms of clause 231 of this Policy.

219. The Accounting Officer 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

220. 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:

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

220.2. 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.

220.3. Notify the Accounting Officer.

221. The Accounting Officer may:

221.1. 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.

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

222. If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Accounting Officer 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.

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

Reconsideration of Recommendations

224. The Accounting Officer 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

225. In terms of Section 62 of the Systems Act, a person whose rights are affected by a decision taken by the NLM, 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 Accounting Officer within 21 days of the date of receipt of the notification of the decision.

226. Tender documents must state that any appeal in terms of clause 225 must be submitted to the Accounting Officer at the address stated, and must contain the following:

- 226.1. Reasons and/or grounds for the appeal;
- 226.2. The way in which the appellants rights have been affected; and
- 226.3. The remedy sought by the appellant.

227. 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

228. 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.
229. 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.
230. 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

231. The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:
- 231.1. Does not allow any preferred bidder a second or unfair opportunity;
 - 231.2. Is not to the detriment of any other bidder;
 - 231.3. Does not lead to a higher price than the bid as submitted; and
 - 231.4. Minutes of such negotiations must be kept for record purposes.

Cancellation and re-invitation of bids

232. Application of 80/20 Preference Point System:
- 232.1. In the event that, in the application of the 80/20 preference point system as stipulated in the tender documents, **all** tenders received exceed the estimated Rand value of **R 1000 000**, the tender invitation must be cancelled.

- 232.2. If one or more of the acceptable tenders received are within the prescribed threshold of R 1000 000, all tenders received must be evaluated on the 80/20 preference point system.
233. Application of 90/10 Preference Point System:
- 233.1. In the event that, in the application of the 90/10 preference point system as stipulated in the tender documents, **all** tenders received are equal to, or below R 1000 000, the tender invitation must be cancelled.
- 233.2. If one or more of the acceptable tenders received are above the prescribed threshold of R 1000 000, all tenders received must be evaluated on the 90/10 preference point system.
234. In terms of clause 232 and 233 above, NLM must re-invite tenders and must, in the tender documents, stipulate the correct preference point system to be applied.
235. NLM may, prior to the award of a tender, cancel a tender if:
- 235.1. Due to changed circumstances, there is no longer a need for the services, works or goods requested; or
- 235.2. Funds are no longer available to cover the total envisaged expenditure; or
- 235.3. No acceptable tenders are received.
236. The decision to cancel a tender in terms of clause 232 and 233 must be published in the *Government Tender Bulletin* or the media in which the original tender invitation was advertised.
237. 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.
238. If bids have been cancelled, then all bidders must be notified in writing.

239. It is not necessary to notify original bidders when calling for new bids, which will be advertised in accordance with clause 114.
240. No bid may be re-advertised before the expiry of the validity period of the original bid, or any extended validity period.
241. Notwithstanding clause 238, 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.
242. 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

243. Any increase in the contract period (in respect of term bids) or contract sum (in respect of once-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.
244. 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.
245. 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

246. 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).
247. The general acquisition procedure for term bids shall comply with procedures contained in the acquisition management system for competitive bids.
248. 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 NLM.
249. The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.
- 250. Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.**
251. 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

252. The process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.
253. 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 Department. Individual orders will then be placed (or contracts awarded) on the basis of the highest total evaluation points received, per application.

254. 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

255. Where NLM intends to enter into any contract 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 R10 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 NLM'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 NLM's supplier database, provided that such providers must meet the listing criteria referred to in this Policy.
256. 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 NLM's official website and an official notice board as applicable.

257. Notwithstanding clause 255, if quotations have been invited on the NLM's official website, no additional quotes need to be obtained should the number of responses be less than three.
258. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Manager: Supply Chain Management who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.
259. The names of the potential providers and their written quotations must be recorded.
260. The practice of breaking out (parcelling) projects in order to circumvent the competitive bid process is not permissible.

QUOTATION DOCUMENTATION

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

Validity Periods

262. The provisions of clauses 133 to 138 of this Policy shall apply *mutatis mutandis* with regard to quotations.

Quotation Prices

263. 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.
264. Notwithstanding clause 263 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

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

Opening of quotations (where lodged in a tender box)

267. The provisions of clauses 173 to 179 of this Policy shall apply with regard to quotations that are required to be lodged in a quotation box, with the exception of clause 178 where, with respect to quotations, the NLM 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

268. All orders in respect of formal written price quotations shall be approved and released by the Accounting Officer or his delegated authority.

Written Price Quotations

General

269. Where the NLM intends to procure any goods or services, which involves a transaction value over R 2 000 (VAT inclusive) and up to R 30 000 (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.

270. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Manager: Supply Chain Management who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.
271. The names of the potential providers requested to provide quotations and their written quotations must be recorded.
272. The practice of breaking out (parcelling) purchases in order to circumvent the formal written price quotation process is not permissible.
273. All orders in respect of written price quotations shall be approved and released by the Accounting Officer, or his delegated authority.

Petty Cash Purchases

General

274. 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 (VAT inclusive), the NLM's Petty Cash Policy and Procedures shall be adhered to.
275. 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.
276. The practice of breaking out (parcelling) purchases in order to circumvent the formal written price quotation and written price quotation processes is not permissible.

Appointment of Consultants

General

277. 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)

278. 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.

279. The practice of breaking out (parcelling) consultant appointments in order to circumvent the competitive bidding process is not permitted.

Procurement Process (up to R200 000)

280. 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.

281. Responsible department must endeavour to ensure that there is rotation in respect of inviting suitably qualified consultants to quote.

282. A price/B-BBEE status level of contributor, as described in the preferential procurement section of this Policy, must be applied to such quotations.

283. Where it is in the interests of the NLM to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed.

Single-source Selection

284. 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 NLM and the project.
285. Single-source selection may be appropriate only if it presents a clear advantage over competition:
- 285.1. For services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
 - 285.2. Where rapid selection is essential;
 - 285.3. For very small appointments; and
 - 285.4. When only one consultant is qualified, or has experience of exceptional worth for the project.
286. 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 Accounting Officer.

Deviation from the Procurement Processes

General

287. The Accounting Officer 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:
- 287.1. Any contract relating to an emergency (as described in clauses 289 and 290 below) where it would not be in the interests of the NLM to invite bids,
 - 287.2. Any goods or services which are available from a single provider only,
 - 287.3. The acquisition of animals for zoos, or

- 287.4. The acquisition of special works of art or historical objects where specifications are difficult to compile;
- 287.5. Any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:
 - 287.5.1. Any purchase on behalf of the NLM at a public auction sale;
 - 287.5.2. Any contract in respect of which compliance therewith would not be in the public interest;
 - 287.5.3. 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

288. The Accounting Officer may condone a deviation from the procurement processes, provided that such deviation is limited to the circumstances referred to in clause 287.

Emergency Deviations

289. The conditions warranting Emergency deviations should include the existence of one or more of the following:
- 289.1. The possibility of human injury or death;
 - 289.2. The prevalence of human suffering or deprivation of rights;
 - 289.3. The possibility of damage to property, or suffering and death of livestock and animals;
 - 289.4. The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the NLM as a whole;
 - 289.5. The possibility of serious damage occurring to the natural environment;
 - 289.6. The possibility that failure to take necessary action may result in the NLM not being able to render an essential community service; and
 - 289.7. The possibility that the security of the state could be compromised.

290. 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 deviation shall not be granted in respect of circumstances other than those contemplated above.
291. Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Accounting Officer for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the Accounting Officer as soon as possible thereafter.

Unsolicited Bids

292. The NLM is not obliged to consider any unsolicited bids received outside of the normal bidding process.
293. The NLM may only consider an unsolicited bid if the following have been complied with:
- 293.1. The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - 293.2. The product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for NLM;
 - 293.3. The person or entity that made the bid is the sole provider of the product or service; and
 - 293.4. The reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer. In this regard a report must be submitted to the Accounting Officer seeking approval to take the unsolicited bid process further.
294. If the Accounting Officer 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:
- 294.1. Reasons as to why the bid should not be open to other competitors;

- 294.2. An explanation of the potential benefits for the NLM were it to accept the unsolicited bid; and
- 294.3. An invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.
295. Details of the unsolicited bid, together with any written comments received pursuant to clause 292.3 as well as any responses from the bidder, shall be submitted to the provincial and National Treasury for comment.
296. 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.
297. The Bid Adjudication Committee may award the bid in respect of any amount.
298. Any meeting of the Bid Adjudication Committee to consider an unsolicited bid shall be open to the public.
299. If any recommendations of the Provincial or National Treasury are rejected or not followed, the Accounting Officer 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 NLM to the bid may be entered into or signed within 30 (thirty) days of the submission.

Ratification of Minor Breaches of the Bid Processes

300. The Accounting Officer 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

301. The Accounting Officer 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 Accounting Officer. Such condonation shall not preclude the taking of disciplinary steps against the responsible official.
302. In the event where the Accounting Officer refuses to condone any expenditure referred to in clause 301 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 Accounting Officer in accordance with the relevant provisions of the MFMA.

Obligation to Report

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

LOGISTICS MANAGEMENT SYSTEM

Introduction

304. 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, vendor performance, maintenance and contract administration.

Setting of Inventory Levels

- 305. Stock items shall be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.
- 306. Open reservations shall be taken into account during the replenishment run.

Placing of orders

- 307. Purchase orders will be created with reference to requisitions where the supply source is contract or quotations (where sourcing had to take place).
- 308. Requisitions must be completely filled and submitted with three quotations and quotations received from suppliers must be valid for 7 days.
- 309. 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.
- 310. All purchase orders will be captured on the Supply Chain Management system and interfaced to VENUS system inclusive of VAT.
- 311. Purchase order approvals will be systems based and will involve the procurement department only.
- 312. The assets section (for asset creation) and the insurance section (for claims) will be informed after the purchase order approval.

Receiving and Distribution of Goods

- 313. Goods will be received on the NLM's VENUS system with reference to purchase orders.
- 314. No over receipt of stock will be allowed. Under receipts will keep the purchase order open for the outstanding delivery quantity.
- 315. Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centres, projects and assets under construction.
- 316. Goods or services should only be delivered to NLM upon the receipt of an official purchase order.
- 317. A delivery note or GRN must be presented and approved/signed by the receiver of goods or services as proof of delivery.
- 318. NLM will not be held liable for the payment of any invoices submitted by the supplier if the invoice does not stipulate the purchase order number.
- 319. Where a brand is specified for a particular product, the supplier will be allowed to submit alternative offers for equivalent products in the case where the supplier is unable to deliver the branded product.

Stores and Warehouse Management

- 320. The stores and warehousing function shall be decentralised in different departments and will operate under the jurisdiction of the Supply Chain Management Unit.
- 321. The Supply Chain Management Unit 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

- 322. The purchasing expeditor will be required to monitor and expedite outstanding purchase orders.
- 323. 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.

Vendor Performance

- 324. The Supply Chain Management System will provide enabled system-based evaluation based on the vendors' performance with regard to certain pre-determined criteria.
- 325. The information will be available for contract negotiations and regular feedback to the vendors.

Contract Management

Application

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

Competency

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

Maintenance and Contract Administration

- 328. Contracts related to the procurement of goods and services will be captured on the Supply Chain Management system in the form of a price schedule.

329. Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts will be used.
330. The use of fixed price, fixed term contracts will be promoted and expenditure will be driven towards contracts versus once-off purchases. Consolidated (Region wide) procurement volumes have to drive down the negotiated contract prices.
331. 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

332. 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.
333. 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.
334. Some of the key early stages, which influence the effectiveness of contract administration, include:
 - 334.1. Defining the output, that is, writing specifications which identify what the aims and outputs of a contract will be;
 - 334.2. Assessing risk;
 - 334.3. Researching the market place (including conducting pre-tender briefings);
 - 334.4. Formulating appropriate terms and conditions of contract;
 - 334.5. Identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
 - 334.6. Actively creating competition, so the best possible suppliers bid for contracts; and

- 334.7. 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

335. There are three levels of contract administration:

- 335.1. 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 authorization role.
- 335.2. 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 NLM and the contractor.
- 335.3. 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/Project Manager

336. A contract manager should be appointed by the Director in charge of the project prior to the execution of the contract.
337. 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.

338. Contract administration arrangements should be identified and planned including who, how, delegations, reporting requirements and relationships and specific task responsibilities.

339. Departments shall be responsible for ensuring that contract managers:

339.1. Prepare the contract administration plan;

339.2. Monitor the performance of the contractor;

339.3. Are appointed with appropriate responsibility and accountability;

339.4. Are adequately trained so that they can perform and exercise the responsibility;
and

339.5. Act with due care and diligence and observe all accounting and legal requirements.

Duties and Powers of Contract Manager

340. The contract manager's duties and powers shall be governed by the conditions of contract and the general law.

341. 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

342. A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, shall be documented.

343. 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

- 344. Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.
- 345. 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.
- 346. The contract manager will however remain ultimately responsible for the performance of the contract.

Contract Management Process

- 347. 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.
- 348. Both parties adhering to the agreed terms will result in:
 - 348.1. Value for money;
 - 348.2. Timeliness;
 - 348.3. Cost effectiveness; and
 - 348.4. Contract performance.

Document Retention

- 349. 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 Department.
- 350. Proper records regarding all aspects of the contract must accordingly be maintained.

Guidelines on Contract Administration

351. The responsibilities of a contract manager may include the following:

- 351.1. Establishing a contract management plan for the project;
- 351.2. Reviewing the contract management process (including the plan) on a regular basis;
- 351.3. Providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise;
- 351.4. Monitoring the contractor's continuing performance against contract obligations;
- 351.5. Providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;
- 351.6. Determining if staged products should continue, and providing a procurement process for additional stages which meet the principle of obtaining value for money;
- 351.7. Providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;
- 351.8. Ensuring insurance policy(s) terms and conditions provide adequate protection for NLM and are maintained throughout the contract period;
- 351.9. Ensuring all products provided are certified as meeting the specifications before the supplier is paid;
- 351.10. Maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- 351.11. Managing contract change procedures;
- 351.12. Resolving disputes as they arise;
- 351.13. Conducting post contract reviews; and
- 351.14. Pursuing remedies in the event of contract breach.

DISPOSAL MANAGEMENT SYSTEM

Goal

352. To give effect to:

- 352.1. 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
- 352.2. The Municipal Asset Transfer Regulations, subject to sections 14 and 90 of the Municipal Finance Management Act (MFMA) and any other applicable legislation.

353. 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

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

- 354.1. 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 NLM;
- 354.2. The preference point system prescribed in the PPPFA and the Preferential Procurement Regulations 2011, are not applicable to the sale and letting of assets;
- 354.3. In instances where assets are sold or leased by means of advertised competitive bids or written price quotations or by auctions the award must be made to the highest bidder;
- 354.4. Immovable property may:
 - 354.4.1. Be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

- 354.4.2. 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 immoveable property are annually reviewed;
- 354.5. 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;
- 354.6. 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

355. Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations.
356. Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations.
357. The granting of rights (where sections 14 and 90 of the MFMA do not apply) by NLM 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 NLM.

General

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

The Risk Management Process

- 361. 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.
- 362. 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.
- 363. Appropriate risk management conditions should therefore be incorporated in contracts.

Key Principles

- 364. The key principles on managing risk in supply chain management include:
 - 364.1. 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;
 - 364.2. Allocation and acceptance of responsibility to the party best placed to manage risk;

- 364.3. Management of risks in a pro-active manner and the provision of adequate cover for residual risks;
- 364.4. Assignment of relative risks to the contracting parties through clear and unambiguous contract documentation;
- 364.5. Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it; and
- 364.6. Ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the NLM's operations.

PERFORMANCE MANAGEMENT SYSTEM

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

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

- 365.1. Value for money has been attained;
- 365.2. Proper processes have been followed;
- 365.3. Desired objectives have been achieved;
- 365.4. There is an opportunity to improve the process;
- 365.5. Suppliers have been assessed and what that assessment is; and
- 365.6. There has been deviation from procedures and, if so, what the reasons for that deviation are.

366. The performance management system shall accordingly focus on, amongst others:

- 366.1. Achievement of goals;
- 366.2. Compliance to norms and standards;
- 366.3. Savings generated;
- 366.4. Cost variances per item;
- 366.5. Non-compliance with contractual conditions and requirements; and
- 366.6. The cost efficiency of the procurement process itself.

CODE OF ETHICAL STANDARDS

General

367. 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.
368. A code of ethical standards is hereby established for officials and all role players in the supply chain management system in order to promote:
- 368.1. Mutual trust and respect; and
 - 368.2. An environment where business can be conducted with integrity and in a fair and reasonable manner.
369. An official or other role player involved in the implementation of the supply chain management policy:
- 369.1. Must treat all providers and potential providers equitably;
 - 369.2. May not use his or her position for private gain or to improperly benefit another person;
 - 369.3. 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;
 - 369.4. Notwithstanding clause 368.3, must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - 369.5. Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the NLM;

- 369.6. 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;
- 369.7. Must be scrupulous in his or her use of property belonging to NLM;
- 369.8. Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- 369.9. Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
 - 369.9.1. Any alleged fraud, corruption, favouritism or unfair conduct;
 - 369.9.2. Any alleged contravention of this policy; or
 - 369.9.3. Any alleged breach of this code of ethical standards.

370. Declarations in terms of clause 368.5 must be recorded in a register which the Accounting Officer must keep for this purpose.

371. The NLM 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.

372. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".

373. 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

374. 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:

- 374.1. Any inducement or reward to the NLM for or in connection with the award of a contract; or
 - 374.2. Any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the supply chain management policy.
375. The Accounting Officer must promptly report any alleged contravention of clause 369 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.
376. Clause 369 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

377. The Accounting Officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:
- 377.1. A provider or prospective provider of goods or services; or
 - 377.2. A recipient or prospective recipient of goods disposed or to be disposed.

Objections and Complaints

378. 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

379. The Accounting Officer shall appoint an independent and impartial person not directly involved in the supply chain to assist in the resolution of disputes between the NLM and other persons regarding:
- 379.1. Any decisions or actions taken in the implementation of the supply chain management system; or
 - 379.2. Any matter arising from a contract awarded in the course of the supply chain management system; or
 - 379.3. To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
380. The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.
381. The person appointed must:
- 381.1. Strive to resolve promptly all disputes, objections, complaints; or
 - 381.2. Queries received; and
 - 381.3. Submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.
382. A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:
- 382.1. The dispute, objection, complaint or query is not resolved within 60 days; or
 - 382.2. No response is forthcoming within 60 days.
383. 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.
384. The provisions above must not be read as affecting a person's rights to approach a court at any time.

PREFERENTIAL PROCUREMENT STRATEGY

Introduction

385. Procurement of goods and services is at the heart of a change agenda to address socio-economic imbalances of the past and stimulate the economic growth in the Ngwathe Region. The services provided by NLM have a significant impact on the quality of life of the community. It is therefore vital that the services are delivered to the highest possible standards and in ways that are responsive to the needs and requirements of the community.
386. NLM's Supply Chain Management Policy and Procedures that are aimed at introducing best practice in Supply Chain Management processes, thereby ensuring:
- 386.1. Efficient, effective and uniform planning for, and procurement of all goods, services and work required for the proper functioning of NLM;
 - 386.2. Disposal of assets in line with constitutional and legislative principles;
 - 386.3. Development, support and promotion of Historically Disadvantaged Individuals and SMME's; and
 - 386.4. Good governance through SDM's Supply Chain Management Processes.
387. The NLM Policy and Procedures includes targeted Preferential Procurement Strategy to develop and promote BEE suppliers located within NLM in line with the Preferential Procurement Policy.
388. A detailed Preferential Procurement Strategy is required to address these gaps and should be used by all officials who are involved in Supply Chain Management Processes to ensure a uniform procurement outcome to achieve NLM's BEE objectives.
389. This strategy strives to ensure that the objectives for uniformity within Supply Chain Management systems between Organs of States in all spheres of Government are not undermined and that consistency is maintained within National Economic Policy on the promotion of investments and doing business within Public Sector.

Goals

390. In line with the Codes of Good Practice on Black Economic Empowerment, issued by the Department of Trade and Industry in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003, NLM has identified the following goals as key to the Preferential Procurement Strategy:

- 390.1. Substantial increase in the number of Black people who have ownership and control of existing and new enterprises within NLM;
- 390.2. Increase in the number of new Black enterprises, Black-empowered enterprises, and Black-engendered enterprises doing business with NLM;
- 390.3. Increase in the number of Black people who hold senior management and executive positions in enterprises doing business with NLM;
- 390.4. Increase in the proportion of the ownership and management of economic activities vested in community-based and broad-based associations and enterprises, collective enterprises such as cooperatives, trade unions and employee trusts;
- 390.5. Increase in the number of Black Youth, particularly Rural Youth, who acquire skills through NLM's procurement of goods and services;
- 390.6. Increase in the number of Black enterprises benefiting from Enterprise Development Initiatives from established industries within NLM;
- 390.7. Increase in the number of Black people benefiting from Socio Economic Investment Initiatives from established industries within NLM; and
- 390.8. It is the NLM's aim to spend a minimum of 40% (forty percent) of its annual procurement budget with Exempted Micro Enterprises, through the application of preferential procurement.

Management Objectives

391. The Management objectives of the Preferential Procurement Strategy are to:

- 391.1. Promote the effectiveness of local enterprises;
- 391.2. Contribute significantly towards job creation, poverty alleviation and local economic growth;
- 391.3. Link with the IDP, GDS, SDBIP initiative and any other strategies of the Municipality; and
- 391.4. Enable NLM to impact significantly in improving the quality of life of the majority of its citizens by optimizing employment and economic empowerment in all its dealings; resulting in the annual procurement spend generally reflecting NLM's demographics.

392. The focus areas of the Preferential Procurement Strategy are:

- 392.1. Increase use of local resources;
- 392.2. Address skewed employment and ownership patterns through Black Economic Empowerment;
- 392.3. Create opportunities for job creation and poverty alleviation;
- 392.4. Stimulate skills development and transfers; and
- 392.5. Fast track growth in terms of NLM's Growth Development Strategy and ensuring development and sustainability of SMME's.

Socio-economic Objectives

393. The Green Paper on Public Sector Procurement Reform in South Africa (1997) suggests that public sector procurement can be used as a tool by government to achieve economic ideals including certain Socio Economic Objectives. This paper suggests that government's socio-economic objectives may be described as being:

- 393.1. The development of small, medium and micro enterprises, particularly those owned and operated by previously disadvantaged individuals;
 - 393.2. The increasing of the volume of work available to the poor and the income generation of marginalised sectors of society; and
 - 393.3. Affirmative action to address the deliberate marginalisation from economic, political and social power of black people, women, people with disability and rural communities and to empower communities and individuals from previously disadvantaged sectors of society.
394. To enable the achievement of the above broad objectives, the NLM has identified the following as the main Socio Economic objectives of this strategy:
- 394.1. To stimulate and promote local economic development in a targeted and focussed manner;
 - 394.2. To facilitate the creation of employment and business opportunities in the Region;
 - 394.3. To provide preference for employment and economic empowerment beyond just Black ownership status; and
 - 394.4. To include NLM's priority/designated groups that have not benefited from implementation of the current policy.

Preferential Procurement Strategy Options

- 394.5. Implementing a special condition of tender to make it mandatory to have a registered office in NLM's area of jurisdiction in order to participate in the tendering process;
- 394.6. Only issuing requests for formal written quotations to **Exempted Micro Enterprises** registered in NLM's Supplier Database for a specific commodity/service category;
- 394.7. Stipulating B-BBEE Status Level Contributor 4, as a mandatory requirement to participate in selected tenders;

- 394.8. Using the "Public Interest" option to deviate from PPPFA by being creative with the interpretation and applying to National Treasury for approval;
 - 394.9. Appointing panels of suppliers to provide specific categories of commodities/services and ensure rotation amongst suppliers;
 - 394.10. Stipulating that, a minimum of at least 30% must be sub-contracted to local contractors registered on NLM's Supplier Database in order to involve local communities and develop skills as part of the Expanded Public Works Program;
 - 394.11. Unpacking large scale projects into small manageable projects for SME's, especially in construction projects; and
 - 394.12. Increasing employment opportunities by adopting labour friendly technologies.
395. 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.
396. 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.

Sub-contracting

397. A person must not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a tenderer intends sub-contracting more than 30% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the contract.
398. A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an exempted micro enterprise that has the capability and ability to execute the contract.

399. A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum thresholds.

Performance Management

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

Preferential Procurement System

Key Principles

401. The key principles of this policy are:

- 401.1. The application of an **80/20 preference point system** for the acquisition of goods, works and/or services to a Rand value of **R1 million**;
- 401.2. The application of a **90/10 preference point system** for the acquisition of goods, works and/or services with the Rand value above **R1 million**; and
- 401.3. That bids may be disqualified if they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.

Planning and stipulation of preference point system to be utilized.

402. NLM must prior to making an invitation for bids:

- 402.1. Properly plan for, and, as far as possible, accurately estimate the costs of the provision of services, works or goods for which an invitation for tenders is to be made;
- 402.2. Determine and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of bids; and
- 402.3. Determine whether the services, works or goods for which an invitation for bids is to be made have been designated for local production.

The 80/20 preference point system for acquisition of services, works or goods up to the Rand value of R1 million (all applicable taxes included).

403. The following formula must be used to calculate the points for price in respect of tenders (including price quotations) with a Rand value up to R1 million (all applicable taxes included):

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

Where:

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

P_t = Comparative price of bid or offer under consideration; and

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

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

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

405. A maximum of 20 points may be allocated in accordance with clause 393.

406. The points scored by a bidder in respect of B-BBEE contribution contemplated in clause 393 must be added to the points scored for price as calculated in accordance with clause 392.

407. Subject to clause 402, the contract must be awarded to the bidder who scores the highest total number of points.

The 90/10 preference point system for acquisition of services, works or goods with the Rand value above of R1 million (all applicable taxes included).

408. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 million (all applicable taxes included):

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

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

P_t = Comparative price of bid or offer under consideration; and

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

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

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

410. A maximum of 10 points may be allocated in accordance with clause 398.

411. The points scored by a bidder in respect of B-BBEE contribution contemplated in clause 398 must be added to the points scored for price as calculated in accordance with clause 397.
412. Subject to clause 402, the contract must be awarded to the bidder who scores the highest total number of points.

Awards of contracts to bidders not scoring the highest number of points

413. A contract may be awarded to a bidder that did not score the highest total number of points, only in accordance with section 2 (1) (f) of the PPPFA.
414. Annexure A1 summarises the procurement strategies that may be applied at each stage of a project namely; project planning, project design and project implementation. Annexure A2 then proceeds to map out the preferential procurement strategies for each of the six classes of contract identified. The preference system applicable to each class of contract is discussed in greater detail below.
415. Prior to the invitation of bids, the appropriate preference system must be established.

Spend Segmentation and Portfolio Analysis

416. One of the objectives of Supply Chain Management (SCM), as contained in the Municipal Financial Management Act 2003 (MFMA) regulations, is to align with global trends and ensure that South Africa adheres to international best practices.
417. Many leading public and private sector organizations use spend segmentation and quadrant analysis as a planning and decision support tool and to align procurement thinking with the appropriate practices and behaviours.
418. NLM will adopt **Portfolio Analysis** as the procurement planning and decision support tool to identify and guide the strategic sourcing and contracting opportunities to increase BEE spend for each category of goods and services procured from external suppliers and service providers.

- 419. Portfolio Analysis segments spend categories on the dimensions of supply market difficulty (dynamics and risk) and annual expenditure value, using a 4-box matrix.
- 420. The overriding goals and objectives in each quadrant differ. In Critical these revolve around reducing risk; in Strategic they focus on securing value; in Leverage on minimising price and in Routine about improving transactional efficiency.
- 421. Critical and Strategic categories will require a detailed analysis and evaluation to identify opportunities, whereas competitive forces will generally deliver the opportunities for Routine and Leverage categories of spend.



Figure 1: Summary of portfolio analysis

Based on these overriding goals and objectives, the options to increase BEE spend vary for each quadrant. The table below details the applicable options for each quadrant.

NO	Routine	Leverage	Critical	Strategic
1	Mandatory to have a registered office in NLM's area of jurisdiction to participate in NLM tenders.	1. Make it mandatory to have a registered office in NLM's area of jurisdiction to participate in NLM tenders.	1. Stipulate a minimum % (e.g. 30%) to be sub-contracted to local contractors registered on NLM data base.	1. Use the "Of Public Interest" option to deviate from PPPFA by being creative with the interpretation.
2	Only issue request for formal written quotations (<R200th) to Exempted Micro Enterprises registered on database, where practical.	2. Make BEE an entry qualifier – mandatory or a minimum level (e.g. Level 4) to participate in certain tenders.	2. Be more proactive with Enterprise Development by supplying potential suppliers with a data base of BEE SME's for outsourcing.	2. Appoint panels of suppliers to provide categories of goods and services and ensure rotation amongst the BEE component.
3	Make B-BBEE Status Level 4 contributor an entry qualifier – mandatory or a minimum level (e.g. Level 4) to participate in certain tenders.	3. Do not accept EME's as automatic Level 4 contributors, but assess HDI status.	Be creative in allocation of preferential points relative to characteristics of Category and demographics of the supplier base in NLM – priority groups	3. Stipulate a minimum % (e.g. 30%) to be sub-contracted to local contractors registered on NLM data base.
4	Do not accept EME's as Level 4 contributors.	4. Appoint panels of suppliers to provide categories of goods and services and ensure rotation amongst the BEE component.		4. Be more proactive with Enterprise Development by supplying potential suppliers with a data base of BEE SME's for outsourcing.
5	Be creative in allocation of preferential points relative to characteristics of Category and demographics of the supplier base in NLM –	5. Stipulate a minimum % (e.g. 30%) to be sub-contracted to local contractors registered on NLM data base. (EPW)		5. Be creative in allocation of preferential points relative to characteristics of Category and demographics of the supplier

	priority groups.			base in NLM – priority groups.
6		6. Be more proactive with Enterprise Development by supplying potential suppliers with a data base of local BEE SME's for outsourcing.		
7		a. Be creative in allocation of preferential points relative to characteristics of Category and demographics of the supplier base in NLM – priority groups		

422. Portfolio Analysis can also be used to:

- 422.1. Align thinking (goals and objectives) with the appropriate practices and behaviours;
- 422.2. Allocate resources. Strategic categories of spend will require significant time and effort while Routine categories will require minimal resources.
- 422.3. Indicate the level of detail and analysis required for sourcing and contracting activities. Strategic/Critical categories will require significantly more detail and analysis than Routine categories;
- 422.4. Manage risk to supply and price. Critical categories will usually be more exposed to supply and price risk than Routine or Leverage categories where competitive forces exercise a degree of control over prices charged;
- 422.5. Provide input into Contract drafting as terms and conditions should reflect requirements consistent with the appropriate Portfolio position. Critical/Strategic categories will usually require specific tailored contract terms and special conditions to minimise risk to the Municipality;

- 422.6. Locate opportunities for cost and value improvement. Cost improvement will be the driver for Leverage categories, value for Strategic categories and efficiency for Routine categories;
- 422.7. When a sourcing project is initiated, the Strategic Sourcing team (Demand Planning) should identify (in consultation with the SCM Manager) the appropriate Portfolio position for the category. This will determine level of detail and analysis required throughout the various phases of the Category Management Process and the type of contract to be concluded; and
- 422.8. By analysing spend patterns, suppliers and supply markets, SCM can pro-actively identify and implement opportunities for advancing Government and Municipal priorities.