
**SUPPLY CHAIN MANAGEMENT**
**PROCEDURE MANUAL**

| | |
|---|---|
| Date of adoption | |
| Effective date | |
| Version | |
| Date of last review | |
| Date of next review | 30 May 2025 |
| Approved: Acting Municipal Manager | |

## TABLE OF CONTENTS

## PART 1: INTRODUCTION

### *1.1 What is Supply Chain Management?*

Supply Chain Management is defined as "the interconnected process of planning, buying, storing, utilizing and disposing" and involves optimising the economic return on the working capital invested in goods, stores and services. Key elements include proper planning during the budgeting phase (an activity which happens at the strategic planning stage), careful product/service selection, supplier selection and management, bidding, requisitioning and catalogue management.

### *1.2 Why Supply Chain Management?*

Supply Chain Management is not only crucial to enable effective service delivery within the municipality but also to assist the government's preferential procurement policy objectives and to ensure achievement of the government's broader objective, e.g., BEE targets, empowerment of youth, women, etc.

Whereas traditional procurement practices considered only the buying of goods and services; the intention of Supply Chain Management is to add value at every stage of the procurement cycle from the demand, acquisition, use and eventual disposal of goods and services. The vulnerability to abuse as well as the monetary commitment associated with these processes requires that procurement of goods and services is properly managed.

### *1.3 Purpose of this document*

This document is intended on summarising a standard of operation throughout the municipality for the demand and acquisition elements of SCM, thereby ensuring uniformity in all procurement transactions.

### *1.4 Applicable Legislation and Regulations*

a) The Constitution of the Republic of South Africa, Act 108 of 1996
b) Municipal Finance Management Act No 56 of 2003
c) Preferential Procurement Policy Framework Act No 5 of 2000
d) Broad Based Black Economic Empowerment Act No 53 of 2003
e) Treasury Regulations 16A
f) Preferential Procurement Regulations, 2022
g) Supply Chain Management Policy of uMgungundlovu District Municipality
h) National Treasury Practice Note No SCM 3 of 2003
i) The Provincial Treasury Practice Note 5 of 2006

### *1.5 SCM Unit Workflow*

**a) Demand Identification and Requisitioning**

- **Activity**: Departments identify needs, validate them against available budgets and the Service Delivery and Budget Implementation Plan (SDBIP), and draft procurement plans.
- **Key Role**: Demand Management Officer
- **Additional Notes:** The Demand Management Officer is now responsible for maintaining all digital records of requisitions, historical data, and specifications using the municipality's

automated systems. This ensures traceability and compliance, previously handled by the phased-out Database Administrator.

**b) Sourcing and Bid Invitation**

- **Activity**: The approved requisitions trigger the sourcing phase. The SCM unit prepares Request for Quotations (RFQs) or bid documentation based on the verified specifications.
- **Key Role**: Acquisitions Management Officers/Buyers – Develop and issue RFQs or tender documents, ensuring that all pertinent details (including compliance with MFMA and SCM Regulations) are incorporated.
- **Additional Notes:** The role now includes responsibility for updating and verifying supplier records and maintaining a digital repository of past bid data via the municipality's procurement system.

**c) Bid Receipt, Opening, and Evaluation**

- **Activity**: Received bids are securely collected and subsequently opened at the prescribed closing time. The bids are then evaluated against established criteria and the predetermined preference points system.
- **Key Role**: Acquisitions Management Officers/Buyers – Coordinate the bid-opening process (often in collaboration with appointed observers) and lead the evaluation sessions.
- **Additional Notes:** All bid details are now recorded and logged within the SCM system by the Acquisitions team to maintain a transparent and auditable process.

**d) Contract Award and Final Approval**

- **Activity**: Once the evaluation is complete, the winning bid is documented, and contract terms are drafted. The award decision is then vetted for compliance and submitted for final approval.
- **Key Role**: Contracts Administrator – Prepares contract documents, ensures that all legal and regulatory conditions are met, and facilitates the signing process.
- **Key Role**: Divisional Manager: Supply Chain – Provides final review and approval of award decisions and contracts, ensuring that the overall strategy and SCM policies are adhered to.
- **Additional Notes:** Digital recordkeeping for contracts, evaluations, and approvals is maintained by the Contracts Administrator through the municipality's document management systems.

**e) Order Placement, Delivery, and Inventory Management**

- **Activity**: Following contract finalization, purchase orders are issued, and logistics arrangements are made for the delivery of goods and services.
- **Key Role**: Logistics Officers/Stores Officer – Manage the receipt, inspection, and storage of goods/services; verify that deliveries match specifications as stipulated in the contracts.
- **Additional Notes:** The Logistics team updates delivery confirmations and inventory adjustments within the SCM tracking system, ensuring seamless handover from procurement to storage.

**f) Performance Monitoring and Reporting**

- **Activity**: Post-delivery, performance metrics are monitored—including supplier performance and contract compliance. Regular reports are generated for internal reviews and external audits.
- **Key Roles**: Contracts Administrator and Demand Management Officer – Collect performance feedback and monitor contract deliverables. Divisional Manager: Supply Chain – Oversees overall SCM performance, reviews Key Performance Indicators (KPIs), and implements corrective actions as needed.
- **Additional Notes:** All performance data is collated through the municipality's integrated SCM reporting tools, providing real-time insights.

**Workflow Summary Table**

| Stage | Key Activity | Primary Job Role(s) | Supporting Job Role(s) |
|---|---|---|---|
| Demand Identification | Identify needs, draft procurement plans, validate against budget/SDBIP | Demand Management Officer | Maintain digital records using the municipality's automated systems |
| Sourcing and Bid Invitation | Prepare and issue RFQs/tender documents | Acquisitions Management Officers/Buyers | Update supplier records & maintain digital histories in procurement system |
| Bid Receipt, Opening, and Evaluation | Secure bid collection, opening and evaluation of bids | Acquisitions Management Officers/Buyers | Log bid details and maintain transparency via the SCM system |
| Contract Award and Final Approval | Draft & approve contracts; finalize and award the winning bid | Contracts Administrator. Divisional Manager: Supply Chain | Archive documents digitally; ensure final approval and compliance |
| Order Placement and Delivery | Issue purchase orders, managing delivery and inventory | Logistics Officers/Stores Officer | Update delivery confirmations & inventory statuses in the SCM system |
| Performance Monitoring and Reporting | Monitor performance, generate reports, review KPIs | Contracts Administrator. Demand Management Officer; Divisional Manager: Supply Chain | Collate performance data via integrated SCM reporting tools |

## PART 2: DEMAND MANAGEMENT

**2. Demand Management Process**

a. Demand management is the first element of the SCM process. Procurement plans must be drafted by the relevant department together with the Demand Management Officer for each procurement and must be aligned to the budget and SDBIP. No procurement can commence unless there is an expression found for such procurement in the IDP/SDBIP.

b. As part of the demand management process, the following must be considered:
   i. Future as well as current needs are understood;
   ii. Requirements are linked to the budget;
   iii. Specifications are determined;
   iv. The need forms part of the strategic plan of the institution;
   v. An analysis of the past expenditure may assist in determining the manner in which the institution fulfilled this need in the past;
   vi. The optimum method to satisfy the need is considered, including the possibility of procuring goods, works or services from other institutions, or on transversal or ad-hoc contracts;
   vii. The frequency of the requirement is specified;
   viii. The economic order quantity is calculated;
   ix. Lead and delivery times are identified; and
   x. An industry and commodity analysis is conducted.

c. In the compilation of the bid documentation, the general and special conditions of the contract must be considered. Any National Treasury Supply Chain Management guidelines are to be taken into account. The requirements of the CIDB will have to be considered if the bid relates to construction, upgrading or refurbishment of building or infrastructure. The municipality's SCM Policy together with the Municipal Supply Chain Management Regulations must be considered.

d. For the use of consultants, the user department must submit an HOD and Accounting Officer approved detailed needs analysis supporting motivation for the use of consultant including a cost vs. benefit assessment.

e. The bid documentation must include the preference points system, the validity period, contract period and the evaluation criteria to be used in the bidding process. The specific goals of a municipality should also be included in the bid documents in order to make bidders aware of municipality's specific goals as they have influence on the allocation of points.

f. All procurement above R200,000 must be included in the procurement plan. Items not included in the procurement plan must be reported to the Accounting Officer for approval prior to the commencement of procurement processes.

g. The approved annual procurement plan must be submitted to the KwaZulu-Natal Provincial Treasury on or before 30 June each year. Furthermore, the annual procurement plan must be uploaded to the e-Tenders platform and updated on a regular basis.

## PART 3: REQUISITIONING

### 3.1 Requisitioning process

#### 3.1.1 Identification of a need

The user department within the municipality must identify the need to procure goods or services.

#### 3.1.2 Checking against the Approved Budget (Service Delivery and Budget Implementation Plan (SDBIP)) the allocation of funds for the purchase of the item

The user department must verify availability of funds to purchase the required goods or services with their Responsibility Manager or Finance Department of the municipality. The vote where the funds will be obtained should be clearly stated when completing the requisition form.

#### 3.1.3 Checking and approving the Requisition

The Head of Department or a delegated official must check and approve the requisition. This includes a quality check to ensure that correct information is entered on the requisition, that the goods and / or services are in fact needed by the user department, and that funds are available on the departments or municipal budget. The requisition, after approval must be submitted to the Supply Chain Management (SCM) Unit.

#### 3.1.4 Submission of the Requisition to the SCM Unit.

The requisition must be submitted to the SCM Unit. The end-user department must keep a copy of the approved requisition form for record keeping purposes. It (end–user department) may under no circumstances request or instruct a supplier to render services or provide goods prior to the generation of an order by the SCM Unit. It is the responsibility of Supply Chain Management Unit to provide the supplier with an order.

***Please note**: The SCM Unit requires the completed requisition prior to the date on which the order is required to ensure sufficient processing time. This could be 5 days prior to date the order is required if below R 30,000 or 30 days if above R30,000 but below R200,000, dependent on the municipality's operations.*

#### 3.1.5 Role-players

The role players in this process are: -

- Officials from the user department within the municipality
- SCM unit within the municipality
- Responsibility Manager

## PART 4: ACQUISITIONS

### 4.1 Acquisitions process

#### 4.1.1 Approved Requisition Form

The arrival of the Approved Requisition from the user department to the Supply Chain Management Unit serves as the trigger for the acquisition process.

#### 4.1.2 Checking the correctness of the filled Requisition and Confirming Requisition Specifications

A delegated official within the Supply Chain Management Unit must check the Requisition form to establish whether all the information has been provided, and that the necessary approval has been obtained. This official must also confirm with the user department whether the specifications are correct.

#### 4.1.3 Capture in SCM Register

Information pertaining to the Requisition Form must be kept within the SCM Unit through the financial system module to enable complete tracking of the Requisition. Once recorded, the sourcing of quotations and ordering process will then be initiated.

#### 4.1.4 Checking of Contracts Register to establish if the item can be purchased on contract

It happens sometimes that the item requested has been covered in a term contract and the purchase thereof may not be sourced elsewhere. These term contracts are used to speed up the acquisition of the goods and services which are used most often in the municipality. A register or list of term contracts pre-negotiated by the municipality each year is maintained within the SCM. If the requested item is not covered in any of the existing contracts, quotations may therefore be invited.

#### 4.1.5 Items on Contract

For items on an existing contract, an order is prepared and placed with the supplier.

#### 4.1.6 Items not on Contract

If there is no existing contract for the required goods/services, the purchase of such goods/services must be processed using the quotations process. This process is dependent upon the municipality's delegations and the value of the goods or services to be acquired. Written quotations will be requested from suppliers who are registered on the Central Supplier Database. For written quotations, a **Request for Quotation Advert** must be compiled by the SCM Unit. This form should be on the Municipal Letterhead and must contain the following minimum details:

- Issue date
- the quotation number
- detailed specification of what is required, incl. quantity
- the closing date for the submission of the quotations
- the details of where the quotation should be submitted
- Contact person
- Delivery details
- Date on which goods / services must be delivered

- Company details (incl. space for company stamp)
- Confirmation of registration on the Central Supplier Database

The quotes are sourced from the suppliers by the delegated officials within the Supply Chain Management Unit.

The specific goals, as referenced by the PPPFA and the SCM Policy, are to be determined by the Divisional Manager: SCM.

**Please note:** The invitation of quotations for goods and services with a value equal to R30 000 and above, must be advertised for at least seven (7) days in the notice board and website of the municipality. Each quotation must be submitted by the bidder in a sealed envelope that reflects the bidder's name, address, the quotation number and the closing time and date. The invitation for quotations with a value of R30 000 or greater must require bidders to submit the following:

- Proof of Tax Compliance
- Proof of Registration on the Central Supplier Database
- Proof of Good Standing with Municipal Accounts
- Submission of Municipal Bid Documents (MBD 4, 8 and 9)

A locked box marked "Bids", "Quotations" or "Tenders" must be provided in which quotations will be deposited by the bidders. In order to facilitate the lodging of quotations, all such boxes must be situated in an area easily accessible to all interested parties e.g., reception area of the Municipality.

### 4.1.7 Observing the closing time of Quotations

Two SCM Officials must be appointed prior to closing time of quotations. An official from the Internal Audit may be invited to be an observer to the closing. These officials must be tasked with observing time for closure of quotations. It is advisable to invite an official from the end-user department to witness the opening of the tender box. An additional SCM official (not involved in invitation of quotations) can also be present to ensure that receipt of quotations is closed on the specified date and time. A register must be maintained to record all service providers that responded to the advert, including the prices quoted. This must be signed both officials opening the quotations and any observer present. The date and time of closing of quotations must always be specified and adhered to.

### 4.1.8 Closure of Quotations

At the specified date and time, the receipt of all Quotations must be closed. No quotations must be accepted after the closing date and time.

### 4.1.9 Role players

The role players in this process are:-

- SCM officials and delegated officials

### 4.2 Acquisitions – Adjudication Process – Quotes

#### 4.2.1 Received Quotations

Quotations received from various suppliers before the closing date and time triggers the process. The price bids must be opened in public as soon as possible after the closing time, and, if so requested, the names of the bidders must be read out and the bid prices. The price page(s) must be dated and signed by at least two officials in charge of the quotation opening.

#### 4.2.2 Evaluation of Quotations according to the stipulated criteria

Quotations are evaluated according to the stipulations as spelt out in the municipality's Supply Chain Management Policy and the evaluation criteria**.** Once quotations have been received from suppliers, they must be evaluated within the Supply Chain Management Unit, and this must be done by someone who did not source quotations from the service providers. The official responsible for evaluation must recommend the approval of the most suitable quotation based on the criteria used for evaluation.

Bidders should not be requested or permitted to alter the substance or price of their bids after the deadline for receipt of bids. The accounting officer/authority should only allow questions to be asked to bidders for clarification needed to evaluate their bids but should not ask or permit bidders to change the substance or price of their bids after bid opening. Requests for clarification and/or completion of administrative documents (MBD Forms and Proof of Good Standing with Municipal Accounts) should be made in writing.

Quotations with the value equal to or above R30 000 (including VAT) must be evaluated according to the PPPFA objectives. The quotations must be evaluated according to the stipulated criteria and the evaluation schedule must be prepared by the SCM unit of the Municipality. The evaluation must confirm that the bidder has a valid tax status, is registered on the Central Supplier Database, has submitted proof of good standing with municipal accounts and submitted the required MBD Forms. The official responsible for the evaluation of quotations or Evaluation Committee must recommend to a delegated official or any committee responsible for the adjudication process.

#### 4.2.3 Award Quotation

The final award of the quotation depends on the municipality's delegations of authority which are in line with the municipality's SCM policy. A delegated official or committee must make a final award of the quotation.

#### 4.2.4 Notification of the user department and the successful supplier

The user department is notified of the successful supplier and is given the supplier's details and the price. The municipality must notify the successful supplier of the award of the quotation. The assets department must be informed of the procurement of any capital items/equipment.

4.2.5 **Ordering Process**

An order must be placed by the Supply Chain Management Unit with the successful supplier; an original copy of order must be forwarded to Creditors' Section for payment processing after the goods and services have been rendered by the supplier.

4.2.6 **Purchase Order Form**

This document constitutes an offer to purchase goods or services by the municipality and must contain at least the following details. The purchase order must be kept by both the SCM Unit and the Creditors' Section for audit and reference purposes. A copy of the purchase order must be made available to the end user department so as to check against the delivered goods by the supplier. The order details must be updated in the SCM Register. This form should be on the Municipal letterhead and must contain the following minimum details:

- Description of goods/service
- Quantity of goods
- Price
- Order number (must be sequentially pre - numbered)
- Date of placing the order
- Signature – authoriser
- Totals field (per line item & grand total)
- Contact details – supplier
- Name of supplier
- Delivery address
- Invoice address

4.2.7 **Role players**

The role players in this process are:-
SCM officials; and
Municipal officials delegated in the SCM policy to take part in this process.

## 4.3 Competitive Bidding process

For procurement of goods and services with an estimated value as indicated in the municipality's Supply Chain Management policy, as well as long term contracts, the competitive bidding process is applied.

4.3.1 **Drafting of Specifications/ Terms of Reference (TOR)**

The specifications are to be compiled by the end user department working in conjunction with the demand management officer. Once confirmed, the terms of reference are to be signed off by the Head

of Department before being submitted to the Bid Specification Committee (BSC) of the Municipality. The BSC must also determine goals as contemplated in the Preferential Procurement Regulations, and the evaluation criteria and any special conditions of the contract. Where necessary, qualified specialists or external consultants under the direction of an official can be part of the BSC.

**Specification** –

(a) Must be drafted in an unbiased manner to allow potential suppliers to offer their goods or services.
(b) Must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply.
(c) Must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
(d) May not create trade barriers in contract requirements in the forms of specification, plans drawings, packaging etc.
(e) May not make reference to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent".
(f) Must be approved by the Accounting Officer or an official delegated by the Accounting Officer prior to publication of the invitation for bids.

### 4.3.2 Compilation of Bid documentation

(a) Bid documentation must be compiled in accordance with the Municipal Bidding Documents (MBD Forms) issued by National Treasury. In the compilation of the bid documentation, the general and special conditions of the contract must be considered. Any National Treasury Supply Chain Management guidelines are to be taken into account. The requirements of the CIDB will have to be considered if the bid relates to construction, upgrading or refurbishment of building or infrastructure.

(b) The bid documentation must include the preference points system, the validity period, and the evaluation criteria to be used in the bidding process. The specific goals of a municipality should also be included in the bid documents in order to make bidders aware of municipality's specific goals as they have influence on the allocation of points.

(c) The bid documentation must include a requirement that compel bidders to declare any conflict of interest they may have in the transaction. It must be stipulated that disputes are to be resolved in terms of the MFM Act: 2003, Municipal Supply Chain Regulations and the Municipality's SCM Policy.

(d) If the bidder is required by law to prepare annual financial statements (AFS) for auditing, the bidder must furnish their AFS for the past three years or if the bidder has not been in business for the past three years, he/she should submit his/her AFS since establishment of his/her business.

(e) The bidder must provide a signed certificate to the effect that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days.

(f) The bidder must furnish particulars of any contract awarded to the bidder by any organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract.

(g) The bidder must furnish a statement indicating whether any portion of goods or services are expected to be sourced from outside the Republic, and if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic.

4.3.3 **Public Invitation of bids**

Invitation of bids is to be made public and should comply with the following requirements:

- Invitation to submit bids must be by way of an advertisement in local newspapers circulating in the municipality's area of jurisdiction, the website of the municipality, the National Treasury eTender publication portal or any other appropriate media.

- The advertisement must include a statement that bids must only be submitted on the bid documentation provided by the municipality.

- Particulars of the place and time of the site briefings/explanatory meetings or site inspection meetings must be indicated in the advertisement as well as in the bid document, should this be a condition of the bid. Furthermore, the bid document should indicate if the explanatory meeting is compulsory or not. It is advisable to record the proceedings of the meeting. Proper minutes must be taken of all information disclosed during explanatory meetings. Copies of these minutes must be made available to all interested parties that attend the relevant meeting. Only those present at a compulsory explanatory meeting should be considered if this was a requirement of the bid.

- A locked box marked "Bids" must be provided in which bids must be deposited by the bidders. In order to facilitate the lodging of bids, all such boxes must be situated in an area easily accessible to all interested parties e.g. reception area of the Municipality.

4.3.4 **Closing date for the Submission of bids**

The closure date for submission of bids may not be less than 14 days from the date on which the advertisement is placed in a newspaper**.** However, the Accounting Officer may stipulate a closure date for the submission of bids which is less than 14 days on condition that 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. The shortened period must be approved by the Accounting Officer prior to advertising the bid.

***For transactions in excess of R 10 million, the closure date may not be less than 30 days from the date on which the advertisement is placed.***

**Please note:** The closing date and time must always be adhered to.

4.3.5 **Delivery of bids by prospective bidders**

When bids are returned, they must be sealed. The name of the bidder, the bid number and closing date must be indicated on the envelope.

4.3.6 **Handling of Bids**

4.3.6.1 **When bids are returned**

There must be a bid (tender) box where the bids are to be deposited by the bidders.

4.3.6.2 **Opening of bids**

A bid box must be opened by the two officials allocated with keys on the opening of bids. It is advisable that an official from the end-user department is invited to observe the opening. Present must be the two (2) appointed SCM officials and a witness who must observe the opening process.

Bids must be opened only in public as soon as possible after the period for the submission of bids has expired. Bid documents and any other documentation submitted after the closing time or date must not be considered.

Any bidder or member of the public may request that the names of the bidders who submitted bids on time be read out and if practical, also each bidder's total bidding price. Should that be the case, no information other than the one requested in terms of this paragraph, may be divulged to bidders or other persons until the successful bidder is notified of the award.

4.3.6.3 **Late Bids**

No bid must be accepted after the closing date and time. This must be indicated in the bid advertisement and bid documents. Late bids must remain unopened and be made available for the bidder to collect.

4.3.7 **Register of bids**

The Accounting Officer and the SCM Unit must maintain a register of all bids received on time, the register should also be made available for public inspection.

The following minimum requirements should be contained in the register:

- Date and time of opening of the bids
- Bid description including the bid number
- Bidder's name
- Whether the bidder was present/ absent at the opening
- Bidder's amount quoted
- Names and signatures of the officials who opened the bid box

Only original bids, which are submitted in the prescribed manner and where all the essential forms are signed in ink before submission, may be accepted as valid bids.

Where bids are not admitted for the specific reasons, they are not returned to the suppliers but are placed on record.

4.3.8 **Cancellation of bids**

Reasons for canceling the bids must be tabled before the accounting officer or delegated official. Cancellation may occur where:

- The goods or service are no longer required;
- Funds are no longer available; or
- No acceptable tenders are received

4.3.9 **Role players**

The role players in this process are: -
SCM officials & officials delegated in terms of the municipality's SCM policy to take part in this process.

**4.4 EVALUATION OF BIDS**

- The Secretariat must ensure that members of the Bid Evaluation Committee (BEC) are notified when the committee will sit for evaluation. Members must also be advised of the bids that will be evaluated.

- The evaluation of bids is dealt with in terms of the SCM Policy and PPPFA. In addition, the evaluation of bids shall be in accordance with the criteria set out in the bid specifications. This must be clearly stipulated in the bid invitation and bid documents.

- The BEC must evaluate each bidder's ability to deliver on the specifications designed for the bid.

- The BEC must ascertain in respect of the recommended bidder whether municipal rates and taxes and municipal charges are not in arrears.

- The BEC must submit to the Adjudication Committee a report and recommendations regarding the award of the bid or any other related matter. Detailed minutes of the proceedings which took place during the BEC meeting should also be prepared and they should accompany the report to the Bid Adjudication Committee (BAC).

- The BEC must submit a report to the Accounting Officer should the validity period of a tender is due to expire, and the tender has not been awarded. The Accounting Officer will assess the reasons and make the decision. If the decision is approved, then the letter/s must be prepared by the BEC and must be sent to suppliers informing them of the extension.

- Responses to the extension of validity period request must be filed according to the tender number.

- Once the validity period expired, no extension can be made, and that bid should be cancelled.

**Role players**

The role players in this process are: -

SCM officials

Officials delegated in terms of the municipalities SCM policy to take part in this process

## 4.5 ADJUDICATION OF BIDS

(a) The secretariat must notify members of the Bid Adjudication Committee (BAC) when the committee will sit for adjudication. Members must also be advised of the bids that will be adjudicated.

(b) BAC cannot undertake business without a quorum present, consisting of half plus one of its total membership with voting power.

(c) Members must sign the attendance register and the declaration of interest form. The proceedings must be recorded by the secretariat.

(d) The BAC must consider the report and recommendations of the BEC and either makes a final award or a recommendation to the Accounting Officer to make a final award. If the BAC is not satisfied with the recommendations of the BEC they must refer the report back to the BEC for clarity.

(e) The BAC may not award a tender to more than one bidder unless the tender document specifically mentioned that the tender may be awarded to more than one bidder.

(f) Where a bid is awarded to a bidder other than the one recommended by the BEC, the BAC must prior to awarding the bid check in respect of the preferred bidder whether that the bidder's municipal rates and taxes and municipal service charges are not in arrears and must also notify the Accounting Officer.

(g) The Accounting Officer may after due consideration of the reasons for the deviation, ratify or reject the decision of the BAC and if the decision of the BAC is rejected, refer the decision back to the BAC for reconsideration. The Accounting Officer may at any stage of the bidding process, refer any recommendation made by the BEC or the BAC back to that committee for reconsideration of the recommendations.

(h) The Accounting Officer must comply with section 114 of the Municipal Finance Management Act (MFMA) within 10 working days. Section 114 of the MFMA stipulates that "if a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, the Accounting Officer of the municipality or municipal entity must, in writing, notify the Auditor-General, the relevant provincial treasury and National Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation".

(i) If the BAC cancels a tender for the second time, they must submit a report to Provincial Treasury explaining the reasons for cancellation.

**Role players**

The role players in this process are: -

SCM officials and officials delegated in terms of the municipalities SCM policy to take part in this process.

## 4.6 AWARDING OF A BID

### 4.6.1 Advertisements and award bids

The Municipality will publish the adverts for quotations equivalent and exceeding R30, 000.00 including VAT, in its official notice board and website and contracts for the value equivalent and exceeding R200, 000.00 including VAT, in the local newspapers, eTender publication portal and the municipal website.

Unsuccessful bidders will be advised in writing after the bid has been awarded.

### 4.6.2 Objections

The municipality must observe a 14-day period after the award decision has been taken to allow for any objections to be raised by those who may have any concerns about the process.

Should a bidder seek information as to why their bid failed, the BEC must within 3 days provide a response.

Any formal objection to the tender process must be submitted to the Municipal Bid Appeals Tribunal (MBAT). The BEC is responsible for the coordination of relevant documents and information which may be requested by MBAT.

### 4.6.3 Signing of the Contract

Once the successful bidder has been finally declared and grievances lodged have been resolved,

- a letter of acceptance must be issued
- a purchase order must be issued, or
- An agreement must be entered into between the municipality and the successful bidder.
- The office of Municipal Manager and SCM unit must maintain the agreements and keep a record of the period of the contract with the service providers.

### 4.6.4 Role players

The role players in this process are: -
SCM officials
Officials delegated in terms of the municipalities SCM policy to take part in this process.

### 4.7 Turnaround Times

4.7.1 The following turnaround times are to be observed:

| PROCESS | RESPONSIBLE PERSON / COMMITTEE | DAYS |
|---|---|---|
| Submission of TORs | User Dept | - |
| Demand Management > BSC | Demand Management Officer | 14 Days |
| BSC > Advert | BSC | 14 Days |
| Close > BEC Report | BEC | 60 Days |
| BEC > BAC Award | BAC | 7 Days |

4.7.2 Where there are challenges in meeting the targets, reasons must be furnished to the Divisional Manager: SCM and the Chief Financial Officer.

## PART 5: APPOINTMENT FROM PANELS

### 5.1 Introduction and Background

Paragraph 11.4 of National Treasury SCM Practice Note No 3 of 2003 empowers an organ of the state that has established a panel of service providers to procure through such a panel by obtaining quotes on a rotation basis or according to bid procedure when services are required. Since the uMgungundlovu District Municipality has multidisciplinary panels established for the purpose of supporting different business units there is therefore a need to define a unified approach on the rotation of service providers in these panels.

Rotation of suppliers is the purposeful use of pre-determined permutations to call a few, amongst many suppliers to submit bids during a procurement process. Rotation of suppliers acknowledges that suppliers are diversely stratified and therefore the chances of succeeding during a procurement process may be dependent on which firms a supplier is competing against at a particular time. This phenomenon has been directly attributed to the divergent capacities of smaller emerging companies, compared to their more developed competitors.

### 5.2 Purpose

The purpose of rotating suppliers within the panels is to ensure that there is a fair division or allocation of work that contributes to the growth of all firms. The advancement of previously disadvantaged individuals is a policy of government and is provided for in section 217(2) of the Constitution which is enabled though the Preferential Policy Framework Act. The purpose of this document is to outline the way the rotation of suppliers will be performed for all contracts established as panels of experts by the uMgungundlovu District Municipality.

### 5.3 Types of Rotation

As per the Provincial Growth and Development Strategy and Plan, the municipality has recognised the need to support Local Economic Development (LED) initiatives to improve the quality of life and wellbeing of the local communities by alleviating poverty, redistributing resources and opportunities. The municipality seeks to promote LED by incentivizing opportunities within the procurement sphere including in the rotation of panel members.

Each panel shall be governed by one or a combination of the below methods. The rotation method to be applied must be communicated to the panel members and shall be adopted formally by the Head of the Business unit that is responsible for that panel and further be endorsed by the Accounting Officer.

Terms of Reference (TORs) shall be sent to a minimum of 3 panel members within the elected panel/work stream within a panel on a rotational basis.

**5.4 Allocation based on fixed financial threshold.**

- Terms of Reference (TORs) shall be sent to a minimum of 3 panel members within the elected panel/work stream within a panel on a rotational basis.
- Subsequent requests for TORs will first be requested from firms who have the lowest allocations.
- All procurement from panels expected to exceed R200,000 must follow demand management processes as set out in Part 2 of this manual.

5.4.1. For assignments **above R 30,000 and below R 200,000**,

5.4.1.1. the TOR should be sent to a minimum of 3 panel members within the elected panel/work stream within a panel on a rotational basis.

5.4.1.2. Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points.

5.4.2. For assignments **more than R 200,000 and below R 5 million**,

5.4.2.1. the TOR should be sent to a minimum of 3 panel members within the elected panel/work stream within a panel on a rotational basis.

5.4.2.2. Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points.

5.4.2.3. Advertising period to be determined by the Chief Financial Officer or the Divisional Manager: SCM.

5.4.2.4. The closing of the bids is to be opened to the public.

5.4.3. For assignments **more than R 5 million and below R 10 million**,

5.4.3.1. the TOR should be sent to a minimum of 3 panel members within the elected panel/work stream within a panel on a rotational basis.

5.4.3.2. Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points.

5.4.3.3. Advertising period to be determined by the Chief Financial Officer.

5.4.3.4. The closing of the bids is to be opened to the public.

5.4.4. For assignments **more than R 10 million,**

5.4.4.1. the TOR should be sent to a minimum of 3 panel members within the elected panel/work stream within a panel on a rotational basis.

5.4.4.2. Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points.

5.4.4.3. The advertising period must be at least 30 days. The accounting officer may permit a closure date for the submission of bids, which is less than the 30-day requirement subject to written motivation application to be submitted by the relevant Executive Manager.

5.4.4.4. The closing of the bids is to be opened to the public.

**5.5 Allocation on rates-based assignments**

5.5.1. Terms of Reference (TORs) shall be sent to a minimum of 3 panel members within the elected panel/work stream within a panel on a rotational basis unless otherwise stipulated per table below.

| TYPE OF ASSIGNMENT | ALLOCATION METHOD |
|---|---|
| A standard or routine assignment | Service providers on the panel with the same area of skill to be utilized on a rotation basis to ensure that the principles of fairness and equity prevail.<br><br>The detailed terms of reference prepared by the Responsible Programme Manager will be sent to all service providers (if rotation is not chosen) by the CFO and, where required, a briefing session will be arranged before the closing date.<br><br>All assignments must be approved by the Accounting Officer and based on the recommendation of the Technical Evaluation team. |
| A complex or specialized assignment | The detailed terms of reference prepared by the Responsible Manager /Programme Manager will be sent to all service providers by the CFO and, where required, a briefing session will be arranged before the closing date.<br><br>The rotation system will be difficult to implement for these assignments due to differences relating to capacity, resources, skills and experience amongst the service providers. An effort must, nevertheless, be taken to award an assignment on a rotation basis where two or more service providers fulfill the minimum requirements.<br><br>All assignments must be approved by the Accounting Officer and based on the recommendation of the Technical Evaluation team. |
| An assignment where only one firm or individuals is qualified or has experience of exceptional worth for a particular assignment. | The TOR, estimated value of the assignment and full motivation must be submitted by the Responsible Manager / Programme Manager to the CFO who will submit the request to the Accounting Officer for approval **in consultation with the Head of Department.** |

| TYPE OF ASSIGNMENT | ALLOCATION METHOD |
|---|---|
| | |
| Urgent / emergency assignment | This will only be considered under exceptional circumstances.<br>The Responsible Manager / Programme manager must submit the reasons for the urgency / emergency, the estimated value of the assignment and the preferred service provider to the Head of Department, Chief Financial Officer and Accounting Officer for consideration and approval. |
| Sensitive / confidential assignment | Where assignments are deemed sensitive or confidential, the Responsible Manager /Programme manager must submit the TOR, the reason/s for why the assignment is deemed sensitive / confidential, the estimated value of the assignment and the preferred service provider to the Head of Department, Chief Financial Officer and Accounting Officer for consideration and approval. |
| Forensic Investigation | The allocation of all forensic assignments must be done on a rotation basis. Prevailing rates/fees as issued by the Auditor-General of South Africa (AGSA) shall apply wherever applicable. |

**5.6 General Provisions**

5.6.1. A panel must be constituted with a minimum of three panel members.

5.6.2. The Accounting Officer may elect to utilize one or more of the Bid Committees as part of the processes unless otherwise stated.

5.6.3. The rotation of service providers will be performed independently for each panel since each panel is treated as a separate database and since the panel members are not uniform across the panels.

5.6.4. The Accounting Officer/Chief Financial Officer, at their discretion and in exceptional circumstances, may permit the SCM unit to source quotations outside of the panel in instances where there is a poor response from the panel and/or prices are excessive.

5.6.5. All contracts entered into during the validity period of an active panel shall remain enforceable and valid beyond the panel's expiration date, provided that the expiration date of each contract is explicitly stated within the contract document and/or service level agreement. The terms and conditions outlined in such contracts will continue to be in effect until the stated contract expiry date, regardless of the panel's validity status.

5.6.6. If a panel member has failed to propose resources on three consecutive requests to submit bids the Office of the CFO shall request in writing the reasons for this failure. The CFO should review such reasons and make a recommendation to the Accounting Officer on whether an additional opportunity should be afforded to the panel member or whether the panel member should be excluded from the permutation and rotation basis.

5.6.7. The performance of the panel members must be monitored regularly. Poor performance must be escalated in writing. Failure to address performance may, at the discretion of the Accounting Officer, result in the removal of the service provider from the respective panel.

**5.7 Deviations**

5.7.1. Deviations shall be based on the nature of the project, and where applicable, an end user may request that all companies be approached for responses.

5.7.2. In highly specialized matters, the end user must motivate as to why equitable distribution can be overlooked but must as far as possibly endeavours to evenly distribute work allocations.

5.7.3. All requests for deviations must be forwarded to the Accounting Officer for his/her approval.