



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **SUPPLY CHAIN MANAGEMENT POLICY**

**2022/2023**

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## 1. BACKGROUND

- 1.1 The accounting officer of the municipality must in terms of section 62(1)(f)(iv) of the MFMA, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.
- 1.2 The Supply Chain Management Regulations, requires that a Supply Chain Management system contains the following six elements:
- Demand Management
  - Acquisition Management
  - Logistics Management
  - Disposal Management
  - Risk Management
  - Regular assessment of Supply Chain Performance.

## 2. PURPOSE OF THE POLICY

- 2.1 This Policy shall give effect to the legislation as applied to the supply chain management environment at the municipality.

## 3. TERMINOLOGY

- 3.1 In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the MFMA has the same meaning as in the MFMA, and –

3.1.1 **“Accounting Officer”** means the municipal manager referred to in section 60 of the MFMA;

3.1.2 **“Bid”** means any person submitting a competitive bid or quotation;

3.1.3 **“Bidder”** means any person submitting a competitive bid or

		quotation;
3.1.4	<b>“Competitive Bidding Process”</b>	means a competitive bidding process referred to in paragraph 9.10 of this policy;
3.1.5	<b>“Competitive Bid”</b>	means a bid in terms of a competitive bidding process;
3.1.6	<b>“Contract”</b>	means the agreement which is concluded when the municipality accepts, in writing, a competitive bid or quotation submitted by a supplier;
3.1.7	<b>“Disposal”</b>	in relation to capital assets means – <ul style="list-style-type: none"> <li>a) The demolition, dismantling or destruction of the capital asset; or</li> <li>b) Any other process applied to a capital asset which results in loss of ownership of the capital asset otherwise than by way of transfer of ownership.</li> </ul>
3.1.8	<b>“Final Award”</b>	in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
3.1.9	<b>“Formal Written Price Quotation”</b>	means quotations referred to in paragraph 9.8 of this policy;
3.1.10	<b>“Head of Department”</b>	means a senior manager as defined in the MFMA, Act 56 of 2003, and who is responsible for a vote as assigned by the Accounting Officer;
3.1.11	<b>“Imported Content”</b>	Means that a portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad (this includes labour and intellectual property costs), plus freight and other direct importation



costs, such as landing costs, dock duties, import duties, sales duties or other similar tax or duties at the South African port of entry;

**3.1.12 “In the service of the state”** means to be –

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

**3.1.13 “Local Content”** Means that a portion of the bid/tender price which is not included in the imported content, provided that local manufacture does take place within the borders of South Africa, **if and when necessitated by legislation;**

**3.1.14 “Long Term** means a contract with a duration period exceeding one

<b>Contract"</b>	year;
3.1.15 <b>"List of Accredited Prospective Providers"</b>	means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of paragraph 9.5 of this policy;
3.1.16 <b>"MFMA"</b>	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
3.1.17 <b>"Municipality"</b>	means Central Karoo District Municipality or any person(s) or committee delegated with the authority to act on its behalf;
3.1.18 <b>"Other Applicable Legislation"</b>	means any other legislation applicable to municipal supply chain management, including: <ul style="list-style-type: none"> <li>a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);</li> <li>b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and</li> <li>c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000).</li> </ul>
3.1.19 <b>"Regulation"</b>	means the Local Government: Municipal Finance Management Act, 2003 Municipal Supply Chain Management Regulations;
3.1.20 <b>"Stipulated Minimum Threshold"</b>	Means that a portion of local production and content as determined by the Department of Trade and Industry, <b>if and when necessitated by legislation;</b>
3.1.21 <b>"Treasury Guidelines"</b>	means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA;

- 3.1.22 “Written or Verbal means quotations referred to in paragraph 9.7 of this Quotations” policy.

#### **4. LEGISLATIVE ENVIRONMENT**

- 4.1 The Municipality is committed to adhering to and applying the prescribed legislative environment as it affects SCM.

- 4.2 The following legislation is applicable:

##### **4.2.1 The Constitution:**

The Constitution of the Republic of South Africa, Act No 108 of 1996, as amended, regulates procurement through Section 217 and determines that:

- 1) When an Organ of State in the national, provincial or local sphere of Government, or any other institution identified in 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.
- 2) Subsection (1) does not prevent the Organs of State or institutions referred to in that subsection from implementing a procurement policy providing for –
  - Categories of preference in the allocation of contracts; and
  - The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- 3) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.

##### **4.2.2 The Municipal Finance Management Act (MFMA):**

The MFMA, Act No 56 of 2003, gives effect to and reiterates the Constitutional



requirements of Section 217 quoted above and is primary in the regulation of Financial Management. It sets out broadly the requirements for the procurement and provisioning system to be in place and allocates responsibilities attached thereto.

The MFMA stipulates that in contracting for goods and services, and the disposal and letting of state assets, including the disposal of goods no longer required, the Accounting Officer will develop and implement a system, which is fair, equitable, transparent, competitive and cost-effective.

**4.2.2.1 Chapter 11 of the MFMA, Sections 111 and 112, determines inter alia that:**

Each Municipality and each municipal entity must have and implement a Supply Chain Management Policy which gives effect to the provisions of in supply chain regulations promulgated on the 30 May 2005 for Local Government must comply with the prescribed framework.

The Supply Chain Management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost effective.

**4.2.2.2 Treasury Regulations issued in terms of the MFMA:**

The Municipality shall apply Chapter 16 (A) 4.3 of Treasury Regulations 2005 issued in terms of the MFMA as it pertains to Supply Chain Management. It serves as a formal requirement for municipalities, to ensure the establishment and implementation of an effective and efficient SCM system.

**• Public Private Partnerships**

The Accounting Officer must ensure that Supply Chain Management Policy is in compliance with when goods or services are procured through public private partnerships or as part of a public private partnership.



## • Supply Chain Management

The Accounting Officer must ensure that the supply chain policy is in compliance with when dealing with Supply Chain Management to ensure the establishment and implementation of an effective and efficient Supply Chain Management Unit within the office of the Senior Manager Management Services/CFO, as an integral part of their financial system.

The SCM system implemented must be fair, equitable, transparent, competitive and cost effective; be consistent with the PPPFA and BBBEE Act and must provide at least for the following:

- Demand management;
- Acquisition management;
- Logistics management;
- Disposal management;
- Risk Assessment;
- Regular assessment of Supply Chain performance.

### **4.2.3 Chapter 8, Sections 83(1),(2),(3) & (4) of the Municipal Systems Act, 32 of 2000:**

If the municipality decides to provide a municipal service through a service delivery agreement it must select the service provider through a selection which is competitive, fair, transparent equitable and cost effective.

### **4.2.4 National Treasury Circulars:**

All documents relevant to SCM are available electronically on National Treasury's web page [http://www.treasury.gov.za /MFMA/regulations/circulars](http://www.treasury.gov.za/MFMA/regulations/circulars).

The SCM regulations in terms of the MFMA empower National Treasury to issue circulars to ensure minimum norms and standards within Local Government.

All circulars issued from time to time must be accepted by council to make it a binding document and the Council will therefore approve such circular as and when they deem appropriate.

#### **4.2.5 The Preferential Procurement Policy Framework Act:**

The Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000, was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution.

The Act provides for the implementation of a preference system in the allocation of contracts for categories of service providers and the promotion of goals, including socio-economic goals, to advance the interest of persons disadvantaged by unfair discrimination on the basis of race, gender or disability and implementing the programmes of the Reconstruction and Development Programme.

The Act also regulates that the evaluation processes are conducted in a fair, justifiable and transparent manner.

There is currently a process underway to ensure that the PPPFA and the BBBEE Act is aligned which will ultimately culminate to a Balance Score Card that mitigates and strengthen some weaknesses identified on PPPFA No5 of 2000.

Subsequent to the above, Preference Procurement Regulations 2017 has been promulgated on the 20 January 2017 whereby all suppliers are classified according to levels by verifying agents.

#### **4.2.6 ~~The Preferential Procurement Policy Framework Act Regulations as Amended by Preferential Procurement Regulations 2017:~~**

~~This is the enabling mechanism of the PPPFA mentioned above. It sets out the formulas for the points system and stipulates the rules and procedures governing the preferences that might be claimed in terms of this Act as per the status level~~

~~certificate issued by an authorised body or person.~~

#### **4.2.7 Broad Based Black Economic Empowerment Act:**

The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published. Draft codes of good practice have also been issued for comment. These codes could include qualification criteria for preferential procurement and other economic activities.

The Municipality will adhere to the directives contained in the Broad Based Black Economic Empowerment Act as it affects the procurement process.

Economic transformation will be promoted through preferential procurement in order to promote meaningful participation of black people including women, workers, youth and people with disabilities and people living in rural areas, in the economy.

Transformation will achieve a change in the racial composition of ownership and management structures of existing and new enterprises.

#### **4.2.8 The Prevention and Combating of Corrupt Activities Act:**

The Municipality will adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 as it affects the Supply Chain process.

The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance or offering of any gratification and the improper influence of another person as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders and auctions.

The Act provides for miscellaneous offences relating to possible conflict of interest and other unacceptable conduct such as acquisition of private interest in contract, agreement or investment of a public body.



National Treasury has established a register for tender defaulters and this used when awarding quotations and tenders to suppliers.

#### **4.2.9 Integrated Development Plan:**

The Integrated Development Plan (IDP), which set out all the objectives to be achieved by Municipality.

The IDP provides for a number of quantified targets for growth and development in the Municipality for a five-year period.

These targets must be incorporated into the municipalities and departments strategic goals and objectives.

#### **4.2.10 State Information Technology Agency Act:**

In terms of Section 31 of the Supply Chain Regulations the municipality may request the assistance of the State Information Technology Agency with regards to the acquisition of IT related goods and services.

#### **4.2.11 The National Small Business Act:**

The National Small Business Act, Act No 102 of 1996, as amended, establishes the National Small Business Council (NSBC) and also the Ntsika Enterprise Promotion Agency (Ntsika).

The main functions of Ntsika are inter alia: to consult with any organ of government, the NSBC or a service provider in order to inter alia:

- Facilitate national market access for products and services of small business.
- Generally, strengthen the capacity of service providers to support small business and small business to compete successfully in the economy.
- To enable small businesses to compete successfully in the economy, the procurement policies and practices influence the economic



behaviour of small businesses, and therefore during the procurement process, it is important to implement guidelines to promote small businesses.

#### **4.2.12 Other Relevant Acts:**

Cognizance must be taken of the following legislation that will impact on the Supply Chain environment:

- Public Service Act, Act No 23 of 1994.
- Promotion of Administrative Justice Act, Act No 3 of 2000;
- Promotion of Access to Information Act, Act No 2 of 2000;
- Protected Disclosure Act, Act No 26 of 2000;
- The Competition Act, Act No 89 of 1998;
- Preferential Procurement Policy Framework Act, 2000: ~~Preferential Procurement Regulations, 2017.~~

## **5. SCOPE FOR APPLICATION**

5.1 This policy applies to activities of demand management in terms of the supply chain management system and policies of the municipality.

5.2 The Municipality resolves in terms of section 111 of the MFMA to have and implement a supply chain management policy that –

a) gives effect to –

- (i) Section 217 of the Constitution; and
- (ii) Part 1 of Chapter 11 and other applicable provisions of the MFMA.

b) is fair, equitable, transparent, competitive and cost effective;

c) complies with –

- (i) the regulatory framework prescribed in Chapter 2 of the Regulations; and

- (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the MFMA.
- d) is consistent with other applicable legislation;
- e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

5.3 The municipality may not act otherwise than in accordance with this supply chain management policy when –

- a) procuring goods or services;
- b) disposing of goods no longer needed;
- c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies;
- d) in the case of a municipality, selecting external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act;
- e) 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.

5.4 Subparagraphs 5.2 and 5.3 of this policy, except where specifically provided otherwise, do not apply in the circumstances described in section 110 (2) of the MFMA, including –

- a) Water from the Department of Water Affairs or a public entity, another

municipality or a municipal entity;

- b) Electricity from Eskom or another public entity, another municipality or a municipal entity; and
- c) services from Telkom and the Post Office.

## **6. SUPPLY CHAIN MANAGEMENT UNITS**

- 6.1 The accounting officer must establish a supply chain management unit to implement this supply chain management policy.
- 6.2 The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the MFMA.
- 6.3 The training of officials involved in implementing the supply chain management policy should be in accordance with any Treasury guidelines on supply chain management training and must be incorporated in the skills development plan of the Central Karoo District Municipality.

## **7. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES**

- 7.1 The council hereby delegates such additional powers and duties to the accounting officer so as to enable the accounting officer –
  - a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
    - (i) Chapter 8 or 10 of the MFMA; and
    - (ii) the Supply Chain Management Policy.
  - b) to maximize administrative and operational efficiency in the implementation of the supply chain management policy;
  - c) to enforce reasonable cost-effective measures for the prevention of



fraud, corruption, favoritism and unfair and irregular practices in the implementation of the supply chain management policy; and

- d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the MFMA.

7.2 Sections 79 and 106 of the MFMA apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph 7.1 of this policy.

7.3 The council or accounting officer may not delegate or sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.

7.4 This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 9 of this policy.

7.5 Sub-delegations –

7.5.1 The accounting officer may in terms of section 79 or 106 of the MFMA sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub-delegation must be consistent with subparagraph (3) and paragraph 7.1 of this policy.

7.5.2 The power to make a final award –

- a) above R10 million (VAT included) may not be sub-delegated by the accounting officer;

- b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –

- (i) the Chief Financial Officer;



- (ii) a Head of Department; or
  - (iii) a bid adjudication committee of which the chief financial officer or a head of department is a member; or
- c) not exceeding R2 million (VAT included) may be sub-delegated but only to–
  - (i) the Chief Financial Officer;
  - (ii) a Head of Department; or
  - (iii) a manager directly accountable to the chief financial officer or a head of department as indicated in the Council system of delegations; or
  - (iv) a bid adjudication committee.

7.5.3 An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph 7.1 of this policy must within five days of the end of each month submit to the official referred to in subparagraph (7.1) of this policy a written report containing particulars of each final award made by such official or committee during that month, including–

- a) the amount of the award;
- b) the name of the person to whom the award was made; and
- c) the reason why the award was made to that person.

7.5.4 A written report referred to in subparagraph (3) of this policy must be submitted –

- a) to the accounting officer, in the case of an award by –
  - (i) the Chief Financial Officer;
  - (ii) a Head of Department; or
  - (iii) a bid adjudication committee of which the chief

financial officer or a head of department is a member; or

- b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
  - (i) a manager referred to in subparagraph (2)(c)(iii) of this policy; or
  - (ii) a bid adjudication committee of which the chief financial officer or a head of department is not a member.

7.5.5 Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

7.5.6 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process providing for in paragraph 19 otherwise than through the committee system provided for in paragraph 19 of this policy.

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

## 7.6 Oversight role of council:

7.6.1 The council must maintain oversight over the implementation of this supply chain management policy.

7.6.2 For the purposes of such oversight the accounting officer must –

- a) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality,
- b) whenever there are serious and material problems in the

implementation of the supply chain management policy, immediately submit a report to the Council.

7.6.3 The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

7.6.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act.

## **8. FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT**

### **8.1 This supply chain management policy provides systems for –**

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management; and
- (vi) performance management.

### **8.2 System of Demand Management**

8.2.1 The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

8.2.2 The demand management system must:

- a) include timely planning and management processes to ensure that all goods and services required by the Central Karoo District Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of appropriate quality and quantity at a fair cost;

- b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
- c) provide for the compilation of the required specifications to ensure that its needs are met; and
- d) provide for an appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

### **8.3 System of Acquisition Management**

8.3.1 The accounting officer must establish, through operational procedures, an effective system of acquisition management in order to ensure –

- a) that goods and services are procured by the municipality or municipal entity in accordance with authorized processes only;
- b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the MFMA;
- c) that the threshold values for the different procurement processes are complied with;
- d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
- e) that any Treasury guidelines on acquisition management are properly taken into account.

8.3.2 This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the MFMA, including –



- a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity;
- b) electricity from Eskom or another public entity, another municipality or a municipal entity;
- c) services from Telkom and Post Office;
- d) audit fees;
- e) licenses;
- f) bursaries and student practical work;
- g) compensation for injuries and diseases;
- h) congresses and professional meetings;
- i) professional/membership fees;
- j) donations and grants by Council;
- k) medical expenses not on contract;
- l) reference books and magazines;
- m) legal expenses;
- n) mayoral donations;
- o) intergovernmental charges;
- p) employee and councilor related costs;
- q) advertisements;

- r) cell phone contracts;
- s) laboratory services;
- t) courier services; and
- u) payments for accommodation that had to be arranged on short notice.

8.3.3 The following information must be made public wherever goods or services contemplated in section 110(2) of the MFMA are procured other than through the supply chain management system –

- a) the kind of goods or services; and
- b) the name of the supplier.

8.3.4 The Accounting Officer may on motivation of a Senior Manager extend the bid closing date, if circumstances justify the action, provided that the closing dates may not be extended unless a notice is published by the Manager: Supply Chain Management in the same newspapers as the original advertisement as well as the website, prior to the original bid closing date. All prospective bidders must also be informed in writing by the relevant Senior Manager of the extension of the bid closing date.

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

## **8.4 Logistics Management**

8.4.1 The accounting officer must establish an effective system of logistics management in order to provide for the setting of inventory levels,

placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration, which must include:

a) Placing of requisitions/orders:

- i) Acquisitions will be initiated by the completion of a requisition that must be submitted to the SCM unit;
- ii) Requisitions must be approved at management level in terms of the approved delegations;
- iii) Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations;
- iv) Orders must be approved at management level in terms of the approved delegations.

b) Receiving of goods:

- i) Goods received must be captured on the municipality's financial system with reference to the relevant purchase order number (invoice);
- ii) Deliveries of goods may not exceed the order quantity or value.

c) Stores / Warehouse management:

- i) Stock is valued at the first-in-first-out per item and is VAT exclusive;
- ii) Regular monitoring of spending patterns on types or classes of goods must be performed, where practical;
- iii) Each item must have a unique stock item number;
- iv) Each stock item must have a minimum, maximum and re-order level;
- v) before payment is approved, certification by the responsible officer that the goods and services are



received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

- vi) the storekeeper must ensure that appropriate standards of internal control and warehouse management are adhere to, to ensure that goods placed in stores are secure, safe and only used for the purpose for which they were purchased;
- d) regular checking to ensure that all assets are properly managed, appropriately maintained and only used for official purposes; and
- e) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

## **8.5 Disposal Management**

8.5.1 The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the MFMA.

8.5.2 The disposal of assets must be done as determined by the asset management policy and / or the management and administration of immovable assets policy.

## **8.6 Risk Management**

8.6.1 The accounting officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.

8.6.2 Risk management must include –

- a) the identification of risks on a case-by-case basis;

- b) the allocation of risks to the party best suited to manage such risks;
- c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

## **8.7 Contract and Performance Management**

### **8.7.1 Contract Management**

- a) Contract administration includes all administrative duties associated with a contract that has arisen through the acquisition/procurement processes described in this policy.
- b) All contracts must be administered by a contract manager, who will be an internal official assigned to ensure the effective administration of the contract.
- c) The contract manager will typically be the internal project manager assigned to the project as a whole but may also be a cost center owner or other responsible official or the function can be situated with the SCM Office.
- d) A contract manager must be assigned to each contract and, where possible, should be involved from the earliest stages of the acquisition process.
- e) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.
- f) In administering a contract, the contract manager will be required to form opinions and make decisions which, while in the Municipality's best interests, must be fair to all parties concerned.

- g) Senior Managers shall be responsible for ensuring that contract managers are:
  - i) assigned to all contracts within the Senior Manager's area of responsibility; and
  - ii) adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.
- h) The contract manager must:
  - i) ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to;
  - ii) ensure that purchase orders are captured on the municipality's financial system in the form in accordance with the pricing schedule;
  - iii) ensure that all original contract documentation is lodged with Archives for record purposes;
  - iv) where necessary, take appropriate action where a service provider is underperforming or is in default or breach of the contract and to report such failures promptly to the accounting officer;
  - v) contract variation or change procedures are approved by the accounting officer in writing which must be in line with the applicable general conditions of contract and this policy;
  - vi) administer disputes, in consultation with the Supply Chain Management Unit, in terms of this policy and the applicable conditions of contract;
  - vii) conduct, as appropriate, post contract reviews;
  - viii) the SCM unit will inform the Asset Management section of the location of newly procured assets for asset register and insurance purposes; and
  - ix) provide contract information to the Supply Chain



Management Unit, as determined by the unit, after a contract has ended.

#### 8.7.2 Performance Management

- a) The accounting officer must establish an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorized supply chain management processes were followed and whether the desired objectives were achieved.

### 9. RANGE OF PROCUREMENT PROCESSES

9.1 The procurement of goods and services through this policy is provided by way of – SEE DELEGATIONS REGISTER ATTACHED AS ANNEXURE A.

- a) petty cash purchases, up to a transaction value of R200 (VAT included) – can be made in cash from petty cash maintained with cashier;
- b) no quotations required for procurements below R 2 000 (VAT included) as it is also considered to be a petty cash purchase;
- c) three written or verbal quotations for procurements of a transaction value over R 2 000 up to R 5 000 (VAT included);
- d) three written quotations for procurements of a transaction value of above R 5 000 up to R 30 000 (VAT included);
- e) procurements above R 30 000 but below R 200 000 (VAT included) must be done via formal price quotations, it therefore must be advertised for 7 days. The evaluation of the bid must be done using the 80/20 principle;
- f) procurements above R 200 000 but below R 50 000 000 (VAT included) must be done via a competitive bidding process and the evaluation of the bid must be done using the 80/20 principle;
- g) the calculation of the 80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million will be done as follows:

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

Where –

$P_s$  = Points scored for price of tender under consideration;  
 $P_t$  = Price of tender under consideration; and  
 $P_{\min}$  = Price of lowest acceptable tender.

The following table must be used to calculate the score out of 20 for B-BBEE, if and when necessitated by legislation:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- procurements above R 50 000 000 (VAT included) must be done via a competitive bidding process and must be evaluated using the 90/10 principle;
- the calculation of the 90/10 preference point system for acquisition of goods or services for Rand value above R50 million.

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

Where –

Ps = Points scored for price of tender under consideration;  
Pt = Price of tender under consideration; and  
Pmin = Price of lowest acceptable tender.

The following table must be used to calculate the score out of 10 for B-BBEE, if and when necessitated by legislation:

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

- no long-term contracts may be entered into without following the competitive bidding process.

9.2 The accounting officer may, in writing –

- a) lower, but not increase, the different threshold values specified in subparagraph 9.1; or

9.3 Goods or services may not deliberately be split into parts or item of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting



of different parts or items must as far as possible be treated and dealt with as a single transaction.

9.4 General preconditions for consideration of written quotations or bids:

9.4.1 A written quotation or bid may not be considered unless the provider who submitted the quotation or bid is registered on the Central Supplier Database ("CSD") –

- a) has furnished that provider's –
  - i) full name;
  - ii) identification number or company or other registration number; and
  - iii) tax reference number and VAT registration number; if any
  - iv) the Central Supplier Database Registration Number.
- b) has authorized the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order, the CSD registration number can be used by the Municipality to verify the tax clearance status of the vendor; and
- c) has indicated –
  - i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
  - ii) if the provider is not a natural person, whether any of its Senior Managers, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
  - iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder

referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months;

- iv) Their individual identity numbers, state employee numbers of those who are in the service of the state.

9.4.2 The Central Supplier Database was established as source of the information required above and the municipality may therefore utilize the information on the Database in support of the requirements above. The Municipality will therefore no longer be required to maintain separate supporting documentation of the requirements listed above, confirmation from the CSD will serve as evidence of the supplier meeting the SCM regulated criteria.

## **9.5 List of Accredited Prospective Service Providers**

9.5.1 The accounting officer must –

- a) keep a list of accredited prospective providers of goods and services that may be used for the procurement requirements through written or verbal quotations and formal written price quotations synchronized with the National Treasury Supplier Database; and
- b) use the National Treasury Central Supplier Database supplier number starting with “MAAA” which is auto generated by the central database system after successful registration and validation of the prospective service provider as mandatory requirement as part of listing criteria for accrediting prospective service provider in line with Section 14(1)(b) of the Municipal Supply Chain Management Regulations;
- c) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to

register on the CSD.

## **9.6 Petty Cash Purchases**

9.6.1 The accounting officer must establish the conditions for the procurement of goods by means of petty cash purchases, which must include conditions –

- a) determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
- b) excluding any types of expenditure from petty cash purchases, where this is considered necessary; and
- c) requiring monthly reconciliation reports from each manager to the chief financial officer, including –
  - i) the total amount of petty cash purchases for that month; and
  - ii) receipts and appropriate documents for each purchase.

## **9.7 Written or Verbal Quotations**

9.7.1 The accounting officer must establish the conditions for the procurement of goods or services through written or verbal quotations, which must include conditions stating –

- a) that quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by 14(1)(b) and



- (c) of this policy;
- b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers;
- c) that, to the extent feasible, providers must be requested to submit such quotations in writing;
- d) that if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer and be dealt with in terms of S36(1)(a)(iv);
- e) that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- f) that if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

## **9.8 Formal Written Price Quotations**

9.8.1 The accounting officer must establish the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating–

- a) that quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity;
- b) that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria

in the supply chain management policy required by paragraph 9.5;

- c) that if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer and be dealt with in terms of S36(1)(a)(iv); and
- d) that the accounting officer must record the names of the potential providers and their written quotations.

9.8.2 A designated official referred to in subparagraph (1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

## **9.9 Procedures for Procuring Goods or Services through Written or Verbal Quotations and Formal Written Price Quotations**

9.9.1 The accounting officer must determine the operational procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, which must stipulate –

- a) that all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 9.8, be advertised for at least seven days on the website and an official notice board of the municipality or municipal entity;
- b) that when using the list of accredited prospective providers, the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis;

- c) offers received must be evaluated on a competitive basis taking into account unconditional discounts;
- d) Offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods or services and the lowest price;
- e) acceptable offers above R30 000 (VAT included) are subjected the preference points system and must be awarded to the bidder with the highest points;
- f) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;
- g) that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation; and
- h) requirements for proper record keeping:
  - i) original/legal copies of written or formal written price quotation should be kept in a secure place for reference purposes;
  - ii) notwithstanding the above requirements for consideration a written and formal written price quotation may not be accepted.

## **9.10 Competitive Bidding Process**

- 9.10.1 Goods or services above a transaction value of R200 000 (VAT included) and long-term contracts may only be procured through a competitive bidding process, subject to paragraph 5.4 of this policy;

and

- 9.10.2 No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

## **9.11 Process for Competitive Bidding**

- 9.11.1 The procedures for a competitive bidding process for each of the following stages:

- a) the compilation of bidding documentation;
- b) the public invitation of bids;
- c) site meetings or briefing sessions, if applicable;
- d) the handling of bids submitted in response to public invitation;
- e) the evaluation of bids;
- f) the award of contracts;
- g) the administration of contracts; and
- h) proper record keeping.

## **9.12 Bid Documentation for Competitive Bids**

- 9.12.1 The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply, which in addition to paragraph 9.4 of this policy, the bid documentation must –

- a) take into account –



- i) the general conditions of contract;
  - ii) any Treasury guidelines on bid documentation; and
  - iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure and the General Conditions of Contract;
- b) When the requirements of the Construction Industry Development Board apply, the following are the minimum requirements should be met:
  - i) The verification of contractor registration and grading on the CIDB website;
  - ii) Utilization of contractors registered with the CIDB;
  - iii) Ensuring that the prescribed CIDB (uniformity standard bid documents) bid documents for construction related are utilized;
  - iv) Assessing bidders' documents against the prescribed CIDB contractor requirements;
  - v) Registration of every project approved by the municipality, consisting of construction works contract with the CIDB;
  - vi) The advertising of construction contracts on the CIDB i-tender system;
  - vii) The updating the record on completion of contracts registered on the i-tender system;
  - viii) Issuing of dates in respect of completion certificates, renewals, terminations or cancellations, the settlement of all amounts owing to contractors in accordance with contracts and the submission of status reports to the CIDB;
  - ix) The placing of registered contractors under any restriction to participate in public procurement as contemplated in the CIDB Regulations;

- x) Suspension and deregistration of contractors as contemplated in the CIDB Regulations;
- xi) Dealing with complaints and grievances lodged in respect of actions taken in terms of the CIDB Regulations;
- xii) Failure to comply with the CIDB Regulations;
- xiii) Construction contracts arranged by consultants at adhere to all of the above-mentioned requirements and CIDB Regulations;
- xiv) Consultants' remuneration is aligned to the CIDB's guidance;
- xv) Consultants providing consulting service for construction related contracts and any of their affiliates be disqualified from subsequently providing of works or services related to the project.

Subcontracting arrangements and joint-venture initiatives to be aligned to CIDB guidelines and requirements.

- c) include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- d) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- e) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish –
  - i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
    - for the past three years; or
    - since their establishment if established during the past three years;

- ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material noncompliance or dispute concerning the execution of such contract;
  - iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (f) stipulate those disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

### **9.13 Public Invitation for Competitive Bids**

9.13.1 The accounting officer must determine the procedure for the invitation of competitive bids, which must stipulate that:

- a) On completion of the bid specification process the municipality shall publicly invite bids.
- b) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or municipal entity or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and



- c) The notice may require a payment of a non-refundable bid fee by bidders who require bid documents.
- d) the information contained in a public advertisement, must include –
  - i) the title of the proposed bid;
  - ii) the bid number;
  - iii) the date, time and location of any proposed site meetings or bid clarification meeting and whether such meetings are compulsory;
  - iv) whether functionality is required, **if and when necessitated by legislation**;
  - v) the place where the bid documentation is available for collection and the times between which bid documents may be collected;
  - vi) the bid documentation fee;
  - vii) the place where bids must be submitted;
  - viii) the closure date and time for the submission of bids;
  - ix) the required CIDB contractor grading for construction work, if applicable.
- e) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long-term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy; and
- f) a statement that bids may only be submitted on the bid documentation provided by the municipality or municipal entity; and

9.13.2 The accounting officer may determine a closure date for the submission of bids which is less than the 30- or 14-days' requirement, but only if such shorter period can be justified on the grounds of



urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

- 9.13.3 Bids submitted must be sealed and must clearly indicate the bid number and title for which the bid is being submitted.
- 9.13.4 Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.
- 9.13.5 The accounting officer of the municipality is required to advertise all bids on the eTender Publication Portal. The bid advertised must contain at least the following information:
  - a) Bid description;
  - b) Bid number;
  - c) Name of the municipality;
  - d) The physical location where the goods, services or works specified in the bid are required;
  - e) The closing date and time of the bid;
  - f) The municipality's contact details (postal and physical address, telephone number, e-mail address, etc.);
  - g) The physical location where hard copies of the bids can be collected; and
  - h) The bid documents (MBDs, Terms of reference, General contracting conditions and other relevant documents).

## **9.14 Site Meetings/ Bid Clarification Meetings**

- 9.14.1 Site meetings/ bid clarification meetings will, in general, not be compulsory. In exceptional circumstances however, a site meeting/ bid clarification meeting may be made compulsory with the approval of the relevant Senior Manager.
- 9.14.2 If site meetings/ bid clarification meeting are to be held, full details must be included in the bid notice and the bid document, including whether or not the site meeting/ bid clarification meeting is compulsory.
- 9.14.3 Where site meetings/ bid clarification meetings are made compulsory, the date for the site meetings/ bid clarification meeting shall be not less than 7 (seven) days after the bid has been advertised.
- 9.14.4 Site meetings/ bid clarification meeting will be chaired by a duly authorized representative from the Supply Chain Management Unit. The relevant line manager responsible for a specific bid or the duly appointed consulting engineering firm employee must be present at the site meetings/ bid clarification meeting in order to provide technical information and to answer technical related questions that might arise from the prospective bidders.
- 9.14.5 The chairperson of the site meeting/ clarification meeting must explain the way how the site meetings/ bid clarification will be conducted and must exclude prospective bidders that arrive after the meeting has been opened.
- 9.14.6 Prospective bidders present at the site meetings/ bid clarification meeting, will be required to confirm their attendance by signing the attendance register as provided by the Supply Chain Management Unit.
- 9.14.7 In instances where bid documentation provides for an attendance certificate, such a certificate must be signed by the representative of

the Supply Chain Management Unit who was present at the site meetings/ bid clarification meeting and submitted with the bid document.

9.14.8 If at a site meetings/ bid clarification meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in writing within a time frame as determined by the municipality, but not later than 7(seven) days before the bid closing date.

9.14.9 Drawings and other supplements to bid documents may be provided to prospective bidders at the site meetings/ bid clarification meeting.

9.14.10 A bidder who failed to attend a compulsory site meeting/ bid clarification meeting will be disqualified from the bidding process.

## **9.15 Submission of Bids and Samples**

9.15.1 Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.

9.15.2 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.

9.15.3 The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.

9.15.4 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.



- 9.15.5 No bids forwarded by telegram, facsimile or similar apparatus shall be considered.
- 9.15.6 A bid is late if it is not placed in the relevant bid box by the closing time and date of such bid.
- 9.15.7 A late bid shall not be admitted for consideration and shall be returned unopened (where feasible) to the bidder with the reason for the return thereof endorsed on the envelope.
- 9.15.8 Bid documents may require samples that must be submitted.
- 9.15.9 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 Supply Chain Management representative mentioned in the bid document before the bid closing date.
- 9.15.10 A register will be kept by the Supply Chain Management representative of samples received from prospective bidders. An acknowledgement of receipt shall be issued to the prospective bidder as proof of delivery.
- 9.15.11 Bids may not be included in parcels containing samples.
- 9.15.12 If samples are not submitted as required in the bid documents, then the bid concerned must be declared non-responsive.
- 9.15.13 Samples shall be supplied by a bidder at his/her own expense and risk. The municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents.
- 9.15.14 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. If not, it might be deemed as a breach in contract.

- 9.15.15 The municipality reserves the right not to return the contract sample and may dispose of it at its own discretion.

**9.16 Procedure for Handling, Opening and Recording of Bids**

- 9.16.1 At least two officials, of which one must be the delegated Supply Chain Management representative, must at all times administer the opening of bids.

- 9.16.2 The accounting officer must determine the procedures for the handling, opening and recording of bids, which must stipulate that:

- a) Bids–
  - i) must be opened only in public; and
  - ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
  - iii) bids received after closing time must not be considered and must be returned unopened immediately; and
- b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price; and
- c) No information, relating to bid other than one in subparagraph (b) may be disclosed to bidders or other persons until an official award is made; and
- d) The accounting officer must –
  - i) record in a register all bids received in time;

- ii) make the register available for public inspection;  
and
- iii) publish the entries in the register and the bid results on the website.

9.16.3 The procedure for the opening of bids where a two-envelope system is used is as follows:

- a) If a two-envelope system is followed, only the technical proposal will be opened at the bid opening.
- b) 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.
- c) Technical proposals shall be opened by the opening officials in accordance with paragraph 9.16.1.
- d) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
- e) 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.

## **9.17 Negotiations with Preferred Bidders**

9.17.1 The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidder, provided that such negotiation –

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

- b) is not to the detriment of any other bidder; and
- c) does not lead to a higher price than the bid as submitted.

9.17.2 Direct negotiations may be embarked on with existing tenants to permanently dispose of the property where Council is of the opinion that public competition would not serve a useful purpose and that the disposal or that renewal is aligned with Council's strategic objectives and in the interest of the Community, subject to such renewal being advertised calling for public comment.

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

## **9.18 Two-stage Bidding Process**

9.18.1 A two-stage bidding process is allowed for –

- a) large complex projects;
- b) projects where it may be undesirable to prepare complete detailed technical specifications; or
- c) long term projects with a duration period exceeding three years.

9.18.2 In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

9.18.3 In the second stage final technical proposals and priced bids should be invited.

## **9.19 Committee System for Competitive Bids**

9.19.1 The accounting officer is required to –

- a) establish a committee system for competitive bids consisting of at least –
  - i) a bid specification committee;
  - ii) a bid evaluation committee; and
  - iii) a bid adjudication committee;
- b) appoint the members of each committee, taking into account section 117 of the MFMA; and
- c) provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.

9.19.2 The committee system must be consistent with –

- a) paragraph 9.20, 9.21 and 9.23 of this policy; and
- b) any other applicable legislation.

9.19.3 The accounting officer may apply the committee system to formal written price quotations.

## **9.20 Bid Specification Committees**

9.20.1 The bid specification committee must compile the specifications for each procurement of goods or services by the municipality or municipal entity.

9.20.2 Specifications –

- a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- b) must take account of any accepted standards such as those issued by Standards South Africa, the International



Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;

- c) where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
- e) 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";
- f) must indicate the points system to be utilized for which points may be awarded in terms of the Preferential Procurement Regulations 2017; and
- g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 9.13 of this policy.

9.20.3 The bid specification committee must be composed of one or more officials of the municipality or municipal entity, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

9.20.4 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.

## **9.21 Bid Evaluation Committees**

### **9.21.1 The bid evaluation committee must –**

- a) evaluate bids in accordance with –
  - i) the specifications for a specific procurement; and
  - ii) the points system set out in terms of paragraph 9.20.2(f).
- b) evaluate each bidder's ability to execute the contract;
- c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
- d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

### **9.21.2 The bid evaluation committee must as far as possible be composed of–**

- a) officials from departments requiring the goods or services; and
- b) at least one supply chain management practitioner of the municipality.

### **9.21.3 The BEC will be considered to be constituted with quorum with an attendance of 50% + 1 of the appointed members.**

## 9.22 Bid Adjudication Committee

9.22.1 The bid adjudication committee must –

- a) consider the report and recommendations of the bid evaluation committee; and
- b) either –
  - i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
  - ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.

9.22.2 The bid adjudication committee must include all the senior managers (excluding a senior manager acting as Municipal Manager) of the municipality or municipal entity which must include –

- a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer;
- b) at least one senior supply chain management practitioner who is an official of the municipality;
- c) a technical expert in the relevant field who is an official, if such an expert exists;
- d) should the municipality have four senior managers/directors approved in their organogram but filled less than four and the posts are funded and are not subject to a moratorium emanating from implementing cost containment measures, the municipality will be given six to 12 months from the date of the exemption [Government Gazette, Vol. 659, Nr. 43281, 5 May 2020] to fill the specific positions subject to the bid

adjudication committee still having a senior supply chain management practitioner and a technical expert in the relevant field as contemplated in regulation 29(2)(ii) and (iii);

- e) where it is not viable for the posts in subparagraph (d) above to be filled, yet there are vacant positions, the municipality or municipal entity may consider appointing an official in an acting capacity to fulfil the role of senior manager/director in those instances;
- f) Senior Managers/ Directors who are members of the bid adjudication committee will be allowed to sub-delegate, in writing, their responsibilities to competent staff members in cases where they cannot attend specific sittings of the committee or where they are acting as Municipal Manager.
- g) ~~The BAC must consist of at least 5 appointees, the number including the CFO (or designated CFO) and the SCM practitioner and the meeting will be considered as being constituted with quorum if at least 4 members are present. The 4 attendees must include the CFO and SCM practitioner (or designated appointees).~~

9.22.3 The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

9.22.4 Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

9.22.5 If the 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 –

- a) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
- b) notify the accounting officer.

The accounting officer may:

- a) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
- b) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

9.22.6 The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

9.22.7 The accounting officer must comply with section 114 of the MFMA within 10 working days.

## **9.23 Procurement of Banking Services**

9.23.1 Banking services –

- a) must be procured through competitive bids;
- b) must be consistent with section 7 or 85 of the MFMA; and
- c) may not be for a period of more than five years at a time.

9.23.2 The process for procuring a contract for banking services must

commence at least nine months before the end of an existing contract.

- 9.23.3 The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 9.13.1. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

## **9.24 Procurement of IT Related Goods or Services**

- 9.24.1 The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- 9.24.2 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- 9.24.3 The accounting officer must notify SITA together with a motivation of the IT needs if –
- a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
  - b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- 9.24.4 If a SITA comment on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.
- 9.24.5 No IT related goods or services must be procured without the written consent or knowledge of the IT department.

## **9.25 Procurement of Goods and Services under Contracts Secured by Other**

## **Organs of State**

9.25.1 The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

- a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- b) there is no reason to believe that such contract was not validly procured;
- c) there are demonstrable discounts or benefits to do so; and
- d) that other organ of state and the provider have consented to such procurement in writing.

9.25.2 Subparagraph (1)(c) and (d) do not apply if –

- a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
- b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

## **9.26 Procurement of Goods Necessitating Special Safety Arrangements**

9.26.1 The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

9.26.2 Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

## **9.27 Proudly SA Campaign**

9.27.1 The accounting officer must, **if and when necessitated by legislation**, determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- a) Firstly –suppliers and businesses within the municipality or district;
- b) Secondly – suppliers and businesses within the relevant province;
- c) Thirdly – suppliers and businesses within the Republic of South Africa.

## **9.28 Appointment of Consultants**

9.28.1 The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

9.28.2 Consultancy services must be procured through competitive bids if –

- a) the value of the contract exceeds R200 000 (VAT included);  
or
- b) the duration period of the contract exceeds one year.

9.28.3 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- a) all consultancy services provided to an organ of state in the last five years; and



- b) any similar consultancy services provided to an organ of state in the last five years.

9.28.4 The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

## **9.29 Deviation from, and Ratification of Minor Breaches of Procurement Processes**

9.29.1 The accounting officer may –

- a) dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:
  - i) in an emergency;
  - ii) if such goods or services are produced or available from a single provider only;
  - iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
  - iv) acquisition of animals for zoos and/or nature and game reserves; or
  - v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

9.29.2 The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual

financial statements.

- 9.29.3 Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 5.4 of this policy.

### **9.30 Unsolicited Bids**

- 9.30.1 In accordance with section 113 of the MFMA there is no obligation to consider unsolicited bids received outside a normal bidding process.

- 9.30.2 The accounting officer may decide in terms of section 113(2) of the MFMA to consider an unsolicited bid, only if –

- a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
- c) the person who made the bid is the sole provider of the product or service; and
- d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

- 9.30.3 If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

- a) reasons as to why the bid should not be open to other competitors;

- b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 9.30.4 All written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.
- 9.30.5 The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- 9.30.6 A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 9.30.7 When considering the matter, the adjudication committee must take into account –
  - a) any comments submitted by the public; and
  - b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- 9.30.8 If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 9.30.9 Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

### **9.31 Publication of Notices of Bid Awards, Cancellations, Deviations, Variations and Extensions on the eTender Publication Portal**

- 9.31.1 The advertisement of bids and publication of awards on the eTender Publication Portal is additional to the requirement specified in the SCM Regulation 22(1)(a). This initiative supports government's drive to improve access to government business opportunities, reduce red tape and duplication of administrative effort in doing business with the state designed to improve the use of technology across all spheres of government.
- 9.31.2 The municipality should ensure that closing dates of bids advertised in the Government Tender Bulletin and other mediums are the same as for those bids that are advertised on the eTender publication portal.
- 9.31.3 The accounting officer of the municipality is required to publish the awards of all competitive bids on the eTender publication portal.
- 9.31.4 The municipality should publish the following information on successful bids within seven working days of awarding the bids:
- a) Names of the successful bidder(s) and preference points claimed;
  - b) Contract price(s);
  - c) Contract period;
  - d) Contract details;
  - e) Names of Directors; and



f) Date of completion / award.

9.31.5 The municipality should publish the following information on unsuccessful bids within seven working days of awarding the bids:

a) Names of the unsuccessful bidder(s);

b) Date of completion / award.

9.31.6 Notice of a cancelled bid must be published on the same day, or at the latest, the day after the municipality decided to cancel a bid.

9.31.7 Notice of all awards to suppliers through deviations from competitive bidding procedures must be published on the eTender Publication Portal within seven working days after the award was made.

9.31.8 Notice of awards through variations and extensions of existing contracts must be published on the eTender Publication Portal within seven working days after the award was made.

## **9.32 Local Production and Content**

~~9.32.1 The Department of Trade and Industry may, in consultation with the National Treasury designate a sector, sub-sector or industry or product in accordance with the national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured meet the stipulated minimum threshold for local production and content taking into account economic and other relevant factors and stipulate a minimum threshold for local production and content. The National Treasury must inform the municipality of any designations made through the issue of a circular.~~

~~9.32.2 In the case of designated sectors, such bids must be advertised with a specific condition of bidding that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered.~~

~~9.32.3 Any instructions, circulars and guidelines issued by National Treasury in the above regard must be complied with.~~

~~9.32.4 Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.~~

~~9.32.5 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 the below the stipulated minimum threshold.~~

~~9.32.6 A bid that falls to meet the minimum stipulated threshold for local production and content is an unacceptable bid.~~

## **10. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM**

10.1 The accounting officer must establish measures for the combating of abuse of the supply chain management system, which must stipulate the following:

10.1.1 The accounting officer must –

- a) take all reasonable steps to prevent abuse of the supply chain management system;
- b) investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with this supply chain management policy, and when justified –
  - i) take appropriate steps against such official or other role player; or

- ii) report any alleged criminal conduct to the South African Police Service;
- c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- d) reject any bid from a bidder–
  - i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
  - ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- f) cancel a contract awarded to a person if –
  - i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
  - ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and



- g) reject the bid of any bidder if that bidder or any of its directors –
  - i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
  - ii) has been convicted for fraud or corruption during the past five years;
  - iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public-sector contract during the past five years; or
  - iv) has been listed in the Register for Tender Defaulters in terms section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

10.2 The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

**11. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER**

11.1 The accounting officer must ensure that, irrespective of the procurement process followed, no award above R30 000 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

11.2 Before making an award to a person the accounting officer must first check with SARS/CSD whether that person's tax matters are in order.

11.3 If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

11.4 It is the supplier's responsibility to provide the municipality with a valid and



original tax clearance certificate.

**12. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE**

12.1 The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person –

- a) who is in the service of the state; or
- b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- c) a person who is an advisor or consultant contracted with the municipality.

12.2 In the case of a false declaration of interest –

- a) the contract must be suspended immediately and a Section 32 investigation needs to be done;
- b) criminal charges may be laid with the SA Police for further investigation;
- c) must be reported to the chief financial officer.

12.3 The municipality may utilize mechanisms at its disposal to determine whether a person is in the service of the state.

**13. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE**

13.1 The notes to the annual financial statements must disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- a) the name of that person;
- b) the capacity in which that person is in the service of the state; and
- c) the amount of the award.

#### **14. ETHICAL STANDARDS**

14.1 A code of ethical standards is hereby established, in accordance with subparagraph (2), for officials and other role players in the supply chain management system in order to promote –

- a) mutual trust and respect; and
- b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

14.2 An official or other role player involved in the implementation of the supply chain management policy –

- a) must treat all providers and potential providers equitably;
- b) may not use his or her position for private gain or to improperly benefit another person;
- c) may not accept any reward, gift, favor, 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;
- d) notwithstanding subparagraph (2)(c), must declare to the accounting officer details of any reward, gift, favor, hospitality or other benefit promised, offered or granted to that person or to any close family

member, partner or associate of that person;

- e) 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 municipality;
- f) 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;
- g) must be scrupulous in his or her use of property belonging to the municipality;
- h) must assist the accounting officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system; and
- i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:
  - i) any alleged fraud, corruption, favoritism or unfair conduct;
  - ii) any alleged contravention of paragraph 15 of this policy; or
  - iii) any alleged breach of this code of ethical standards.

#### 14.3 Declarations in terms of subparagraphs (2)(d) and (e) -

- a) must be recorded in a register which the accounting officer must keep for this purpose;
- b) by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.

#### 14.4 The National Treasury's code of conduct must also be taken into account by



supply chain management practitioners and other role players involved in supply chain management.

14.5 It is recommended that the municipality or municipal entity adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity. A copy of the National Treasury code of conduct is available on the website [www.treasury.gov.za/mfma](http://www.treasury.gov.za/mfma) located under "legislation". This code of conduct must be adopted by council.

14.6 A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Systems Act.

**15. INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS**

15.1 No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:

- a) any inducement or reward to the municipality for or in connection with the award of a contract; or
- b) any reward, gift, favor or hospitality to –
  - i) any official; or
  - ii) any other role player involved in the implementation of the supply chain management policy.

15.2 The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.



- 15.3 Subparagraph (1) does not apply to gifts less than R350 in value.

## **16. SPONSORSHIPS**

- 16.1 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 –

- a) a provider or prospective provider of goods or services; or
- b) a recipient or prospective recipient of goods disposed or to be disposed.

## **17. OBJECTIONS AND COMPLAINTS**

- 17.1 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.

- 17.2 For procurement processes below R200 000.00, suppliers may do an inquiry regarding the results and be provided with written reasons as to why they did not receive the allocation.

## **18. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES**

- 18.1 The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

- a) to assist in the resolution of disputes between the municipality and other persons regarding –

- i) any decisions or actions taken in the implementation of the supply chain management system; or
    - ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- 18.2 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.
- 18.3 The person appointed must –
- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- 18.4 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
- a) the dispute, objection, complaint or query is not resolved within 60 days; or
  - b) no response is forthcoming within 60 days.
- 18.5 If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- 18.6 This paragraph must not be read as affecting a person's rights to approach a court at any time.

**19. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER**

19.1 If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –

- a) a cap on the compensation payable to the service provider; and
- b) that such compensation must be performance based.

**20. EXPANSION OF VARIATION OF ORDERS AGAINST ORIGINAL CONTRACT VALUES**

20.1 Contracts may be expanded or varied by not more than 20% for construction related goods and infrastructure projects and 15% for all other goods and/or services of the original value of the contract.

20.2 Anything beyond the abovementioned thresholds must be reported to Council and dealt with in terms of the provision of section 116(3) of the MFMA Act 56 of 2003, will be regarded as an amendment to the contract.

**21. RELATED DOCUMENTS**

21.1 The following documents are related to this policy:

- a) Demand Management Policy;
- b) Asset Management Policy;
- c) Management and administration of immovable assets policy;
- d) Integrated Development Plan.

**22. REVIEW**

22.1 This Policy shall be reviewed at least annually during the annual budget process or when Legislation requires immediate amendment to the policy.

22.2 Where the National Treasury and the Provincial Treasury issue amendments,



those instructions, must also be taken into account in the execution of the Supply Chain Management in addition to the Policy and the Policy amended at the earliest convenient opportunity.

22.3 When necessary, recommendations for amendments to the Policy deemed must be submitted to the council committees for consideration and approval.

22.4 The accounting officer must –

- a) at least annually review the implementation of this policy; and
- b) when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council.

22.5 If the accounting officer submits proposed amendments to the Council that differs from the model policy issued by National Treasury, the accounting officer must –

- a) ensure that such proposed amendments comply with the Regulations; and
- b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

22.6 When amending this supply chain management policy, the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

## **23. EFFECTIVE DATE**

23.1 This policy shall come into effect on the date which it was adopted by Council and shall remain in full force and effect until it is reviewed, revoked or amended by Council.





# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **TARIFF POLICY**

**2022/2023**

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## **1. INTRODUCTION**

- 1.1 A tariff policy must be compiled, adopted and implemented in terms current legislation. This Policy will focus on the levying of fees and for municipal services provided by the Municipality itself or by way of service delivery agreements. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and also of the impact its own tariffs may have on local economic development. Stakeholder consultation and engagement is imperative in determining tariffs.

## **2. LEGISLATION**

- 2.1 Local Government: Municipal Finance Management Act, 56 of 2003;  
2.2 Local Government: Municipal Systems Act, 32 of 2000.

## **3. OBJECTIVES**

- 3.1 The objectives of the tariff policy are to ensure the following:
- 3.1.1 The tariffs of the Municipality conform to acceptable policy principles;
  - 3.1.2 Municipal services are financially sustainable;
  - 3.1.3 That there is certainty in the Council, of how the tariffs will be determined;
  - 3.1.4 Tariffs of the Municipality comply with the applicable legislation.

## **4. POLICY PRINCIPLES**

The Municipality's tariff policy will reflect the following principles:

- 4.1 Although users of municipal services should be treated equitably in the application of tariffs, tariffs may differentiate between different categories of consumers, municipal services and service standards as long as such differentiation does not amount to unfair discrimination.
- 4.2 The amount individual users pay for services should generally be in proportion

of their use of that service.

- 4.3 Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned. A service is financially sustainable when it is provided in a manner that would ensure its financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing and replacing the physical assets used in its provision.

- 4.4 Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.

## **5. NEED FOR A TARIFF POLICY**

### **5.1 Revenue Adequacy and Certainty:**

- 5.1 The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:

- 5.1.1.1 Fully utilize the available sources of revenue to meet its development objectives; and
- 5.1.1.2 Be reasonably certain of its revenue to allow for realistic planning.

### **5.2 Sustainability:**

- 5.2.1 Financial sustainability requires that the Municipality must ensure that:

- 5.2.1.1 Services are provided at affordable levels; and
- 5.2.1.2 It is able to recover the costs of service delivery.

### **5.3 Effective and Efficient Usage of Resources:**

- 5.3.1 Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community.



**5.4      Accountability, Transparency and Good Governance:**

5.4.1      The Municipality must be accountable to the community for the use of its resources, Councillors must be able to:

5.4.1.1      Justify their expenditure decisions; and

5.4.1.2      Explain why and how the revenue necessary to sustain expenditure, is raised.

**5.5      Budgeting and the Financial Affairs:**

5.5.1      Must be open to public scrutiny, in accordance with Section 22 of the Municipal Finance Management Act No 53 of 2003. The community should be part of the decision-making process about how revenue is raised and spent.

**5.6      Equity and Redistribution:**

5.6.1      The Municipality must treat members of the community equitably with regard to the provision of services.

**6.      IMPLEMENTATION OF POLICY**

**6.1      Affordable Tariffs:**

6.1.1      The Council is aware of the financial situation of most residents within the municipal area and need to keep tariffs at affordable levels. In order to ensure that tariffs remain affordable, the Council will ensure that:

6.1.1.1      Services are delivered at an appropriate level; and

6.1.1.2      Efficiency improvements are actively pursued across the Municipalities' operations.

**6.2      Tariff Equality for Services:**

- 6.2.1 The Council believes that all residents must pay the same tariff for the same level and quality of service.
- 6.2.2 The Municipality, like any other business enterprise is subject to continuous price increases in the goods, materials and other resources that it uses to perform its functions.
- 6.2.3 Consequently, it is the policy of the Council:
  - 6.2.3.1 That tariffs for service and property rates will be reviewed at least once during every financial year;
  - 6.2.3.2 That the tariff increases must be in line with increases in the price of goods, material and other resources acquired and used by the Municipality to perform its functions; and
  - 6.2.3.3 Further the tariff for a particular service must be calculated in such a way that all relevant costs are covered. This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing the physical assets used in its provision.

### **6.3 Payment of Services Rendered:**

- 6.3.1 Consumers of services must pay for the amount of services that they use.

### **6.4 Local Economic Development and Competitiveness:**

- 6.4.1 The Council will take care that the service charges presented to consumers are fair. To ensure fairness toward consumers, the Council will, when it determines tariffs, take into account the desire:
  - 6.4.1.1 To promote local economic competitiveness, and
  - 6.4.1.2 To promote local economic development and growth.
- 6.4.2 The Municipality must ensure that the services that it provides must be sustainable.

- 6.4.3 Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient.

**6.5 Tariff Determination:**

- 6.5.1 Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. Tariffs may be calculated in various different ways, dependent upon the nature of the service being provided. Tariffs may be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidise other non-economical services. Proposed tariffs will be presented to the community during the Council's consultations about the budget.

**7. SOURCES OF REVENUE**

**The Municipality may impose:**

- 7.1 If authorised by National legislation, other taxes, levies and duties appropriate to Local Government, but it may not impose income tax, value-added tax or customs duty.
- 7.2 May not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and may be regulated by national legislation.
- 7.3 The Council may finance the affairs of the Municipality by:
- 7.3.1 Charging fees for services;
  - 7.3.2 The revenue of the Municipality consists of the taxes, fees, charges, fines and other sums imposed or recoverable by or payable to the Council under any law; and
  - 7.3.3 Any fine imposed or money treated as bail in respect of any offence under the ordinance or a bylaw made by the Council, must be paid to the Municipality.



## **8. TARIFF STRATEGY**

8.1 The Council's strategy is to recover the full financial cost of rendering the services required by the community from the community, including the cost of capital:

8.1.1 The starting point to recover cost is the determination of service levels. These shall be based on basic human needs;

8.1.2 The second point will be to ensure a sustainable service delivery based on the set service level; and

8.1.3 The third point will be the upgrade of services to higher levels in accordance with the affordability of the community and the ability to render the upgraded services in a sustainable manner.

## **9. CATEGORIES OF USERS**

9.1 The tariff structure of the Central Karoo District Municipality will make provision for the following categories of users:

9.1.1 Domestic;

9.1.2 Commercial;

9.1.3 Industrial;

9.1.4 Agricultural;

9.1.5 Rural;

9.1.6 Municipal Services; and

9.1.7 Special agreements for users not falling in any of the above-mentioned categories.

## **10. TARIFF CHARGES**

10.1 All tariffs will be charged as set out in the tariff list as approved within the budget of each year.



**11.        RESPONSIBILITY / ACCOUNTABILITY**

- 11.1        The Council or designates of the Council have the overall responsibility of laying down the Tariff Policy. The Municipal Finance Management Act defines the responsibility of the Municipal Manager as ensuring that the Tariff Policy be in place and that it is effectively implemented.



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY**

**2022/2023**

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## **1. INTRODUCTION**

- 1.1 At its broadest level, the Municipal Finance Management Act endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”
- 1.2 Chapter 8 of the Municipal Finance Management Act places the onus on each employee within the Municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee’s area of responsibility. More specifically, the employee must take effective and appropriate steps to prevent, within that employee’s area of responsibility, any Unauthorised, Irregular, Fruitless and Wasteful Expenditure and any under-collection of revenue due.

## **2. OBJECTIVE**

- 2.1 The objective of this policy is to clearly define the responsibilities of the Central Karoo District Municipality in terms of the Municipal Finance Management Act with respect to Unauthorised, Irregular, Fruitless and Wasteful Expenditure. This document addresses the following areas:
- 2.1.1 The definition of Unauthorised, Irregular, Fruitless and Wasteful expenditure in terms of the Municipal Finance Management Act; and
- 2.1.2 The roles and responsibilities of the Accounting Officer, management and other officials of the Municipality with respect to the prevention, identification, reporting, recovery, write-off or approval, and disclosure in the Annual Financial Statements of Unauthorised, Irregular, Fruitless and Wasteful Expenditure.



### 3. TERMINOLOGY AND DEFINITIONS

3.1 In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned has the same meaning, and -

**“Allocation”** in relation to a municipality, means —

- (a) A municipality's share of the local government's equitable share referred to in section 214 (1) (a) of the Constitution;
- (b) An allocation of money to a municipality in terms of section 214 (1) (c) of the Constitution;
- (c) An allocation of money to a municipality in terms of a provincial budget; or
- (d) Any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction.

**“Fruitless and Wasteful Expenditure”** means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**“Irregular Expenditure”** in relation to a municipality or municipal entity, means —

- (a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Finance Management Act, and which has not been condoned in terms of section 170;
- (b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) Expenditure incurred by a municipality in

contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

- (d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Supply Chain Management Policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "Unauthorised Expenditure"

**"Municipality"** The Central Karoo District Municipality.

**"Unauthorised Expenditure"** in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act, and includes:

- (a) Overspending of the total amount appropriated in the municipality's approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) A grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

**"Vote"** means:

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

#### **4. SCOPE OF APPLICATION**

4.1 This policy is applicable to all employees of the Municipality, whether full-time or part-time and includes: Council, Accounting Officer, Chief Financial Officer, Senior Manager's, Officials and all other employees. Their responsibilities include:

- 4.1.1 Identifying the identity of the person who is liable for Unauthorised, Irregular or Fruitless and Wasteful Expenditure;
- 4.1.2 Deciding on how to recover Unauthorised, Irregular or Fruitless and Wasteful Expenditure from the person liable for that expenditure; and
- 4.1.3 Determining the amount of Unauthorised, Irregular or Fruitless and Wasteful Expenditure to be recovered, written off or provided for.

#### **5. GOVERNING PRESCRIPTS**

5.1 This Policy has been formulated in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

5.2 This policy will be implemented within the legal framework of the relevant National Legislation outlined hereunder:

- 5.2.1 Treasury regulations GNR.225 of 15 March 2005: Amendment of Treasury Regulations in terms of Section 76;
- 5.2.2 The Municipal Finance Management Act, 2003 (Act 56 of 2003) Sections 32, 62, 78, 95, 102, 105, 125, 171, 172 and 173.

#### **6. GUIDING PRINCIPLES**



6.1 This policy supports the following principles:

- 6.1.1 To secure the sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government;
- 6.1.2 To establish treasury norms and standards for the local sphere of government;
- 6.1.3 Ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;
- 6.1.4 The management of the municipality's revenues, expenditures, assets and liabilities and the handling of their financial dealings.

6.2 Section 32(2) and Section 32(3)-(7) of the Municipal Finance Management Act identifies the following responsibilities with respect to the Municipality and Accounting Officer:

6.2.1 A municipality must recover Unauthorised, Irregular or Fruitless and Wasteful Expenditure from the person liable for that expenditure, unless the expenditure:

- In the case of ***Unauthorised Expenditure***, is:
  - ❖ authorised in an adjustments budget; or
  - ❖ certified by the Municipal Council, after investigation by a Council Committee, as irrecoverable and written off by the Council.
- In the case of ***Irregular or Fruitless and Wasteful Expenditure***, is:
  - ❖ after investigation by a Council Committee, certified by the Council as irrecoverable and written off by the Council.

6.2.2 If the Accounting Officer becomes aware that the Council, the



Executive Mayor or the Executive Committee of the Municipality, as the case may be, has taken a decision which, if implemented, is likely to result in Unauthorised, Irregular or Fruitless and Wasteful Expenditure, the Accounting Officer is not liable for any ensuing Unauthorised, Irregular or Fruitless and Wasteful Expenditure provided that the Accounting Officer has informed the Council, the Executive Mayor or the Executive Committee, in writing, that the expenditure is likely to be Unauthorised, Irregular or Fruitless and Wasteful Expenditure.

6.2.3 The Accounting Officer must promptly inform the Executive Mayor, the MEC for Local Government in the province and the Auditor-General, in writing, of:

6.2.3.1 any Unauthorised, Irregular or Fruitless and Wasteful Expenditure incurred by the Municipality;

6.2.3.2 whether any person is responsible or under investigation for such Unauthorised, Irregular or Fruitless and Wasteful Expenditure; and

6.2.3.3 the steps that have been taken:

- to recover or rectify such expenditure; and
- to prevent a recurrence of such expenditure.

6.2.4 The writing off in terms of subsection (2) of any Unauthorised, Irregular or Fruitless and Wasteful Expenditure as irrecoverable is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of the Municipal Finance Management Act relating to such Unauthorised, Irregular or Fruitless and Wasteful Expenditure. The Accounting Officer must report to the South African Police Service all cases of alleged:

6.2.4.1 Irregular Expenditure that constitutes a criminal offence; and

6.2.4.2 theft and fraud that occurred in the Municipality.

6.2.5 The Council of a municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if:

6.2.5.1 the charge is against the Accounting Officer; or

6.2.5.2 the Accounting Officer fails to comply with that subsection.

6.3 In terms of Section 62(1)(a)-(e) of the Municipal Finance Management Act, the Accounting Officer is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

6.3.1 that the resources of the Municipality are used effectively, efficiently and economically;

6.3.2 that full and proper records of the financial affairs of the Municipality are kept in accordance with any prescribed norms and standards;

6.3.3 that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control; and of internal audit operating in accordance with any prescribed norms and standards;

6.3.4 that Unauthorised, Irregular or Fruitless and Wasteful Expenditure and other losses are prevented;

6.3.5 that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the Municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the Municipal Finance Management Act.

6.4 In terms of Section 78(a)-(c) of the Municipal Finance Management Act, the Senior Management of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure:

6.4.1 that the system of financial management and internal control established for the Municipality is carried out diligently;

- 6.4.2 that the financial and other resources of the Municipality are utilised effectively, efficiently, economically and transparently;
- 6.4.3 that any Unauthorised, Irregular or Fruitless and Wasteful Expenditure and any other losses are prevented.

6.5 In terms of the reporting responsibilities of the Accounting Officer, Section 125(2)(d) and (e) of the Municipal Finance Management Act, the notes to the Annual Financial Statements of a municipality or municipal entity must disclose the following information: Particulars of:

- 6.5.1 any material losses and any Irregular or Fruitless and Wasteful Expenditure, including in the case of a municipality, any Unauthorised Expenditure, that occurred during the financial year, and whether these are recoverable;
- 6.5.2 any criminal or disciplinary steps taken as a result of such losses or such Unauthorised, Irregular or Fruitless and Wasteful Expenditures;
- 6.5.3 any material losses recovered or written off;
- 6.5.4 particulars of non-compliance with the Municipal Finance Management Act; and
- 6.5.5 any other matters that may be prescribed.

## 7. **PROCEDURES**

### 7.1 **REPORTING REQUIREMENTS:**

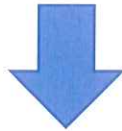
Guidance on the reporting requirements of Unauthorised, Irregular, Fruitless and Wasteful Expenditure are set out in the following diagram:

Unauthorised, Irregular, Fruitless and Wasteful Expenditure is brought to the attention of the Accounting Officer





The Accounting Officer must immediately report in writing in terms of Section 32(4)(a) and (b) of the MFMA, to the Executive Mayor, MEC for Local Government in the province and the Auditor-General



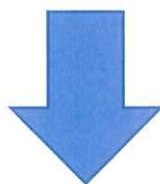
The Accounting Officer must in terms of Section 32(4)(c)(i)(ii) of the MFMA, implement steps to rectify or recover such expenditure and to prevent a recurrence of such expenditure



The Accounting Officer must in terms of Section 32(6)(a) and (b) of the MFMA, report to the South African Police Services all cases of alleged Irregular Expenditure that constitute a criminal offence and theft and fraud that occurred in the Municipality.



The Accounting Officer tables Unauthorised, Irregular, Fruitless and Wasteful Expenditure before the Council.





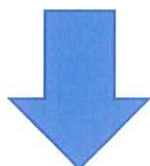
Council has the following responsibilities in terms of Section 32(2)(a)(i)(ii) of the MFMA:

1. Authorise the expenditure in the adjustments budget, or subsequently condone the expenditure incurred.
2. Certify after investigation by a Council Committee that the expenditure is irrecoverable and approve the write off by the Council.
3. Recommend the recovery of the expenditure from the responsible person.



If Unauthorised, Irregular, Fruitless and Wasteful Expenditure is not condoned the Accounting Officer must:

1. Take appropriate disciplinary steps as required in Section 62(e) of the MFMA;
2. Recover the amount.



Unauthorised, Irregular, Fruitless and Wasteful Expenditure must be reported in the annual report (as a note to the annual financial statements) in terms of Section 125(2)(d)(i)-(iii) of the MFMA.

## 7.2 ACCOUNTING TREATMENT and DISCLOSURE:

### 7.2.1 Accounting Policies:

#### 7.2.1.1 REVENUE RECOGNITION

- If the amounts recovered as a result of Unauthorised, Irregular, Fruitless and Wasteful Expenditure are material, a revenue recognition will be required in the Annual Financial Statements' Accounting Policy.
- The accounting policy for revenue recognition should include the following:
  - \* Revenue from non-exchange transactions;
  - \* Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act no.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### 7.2.1.2 Mandatory accounting policy notes required in the Annual Financial Statements:

- The inclusion of the following accounting policy notes is mandatory. The accounting policy notes should read as follows:

#### UNAUTHORISED EXPENDITURE:

Unauthorised Expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of

government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### IRREGULAR EXPENDITURE:

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### FRUITLESS AND WASTEFUL EXPENDITURE:

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and Wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

UNAUTHORISED, FRUITLESS AND WASTEFUL  
EXPENDITURE DISALLOWED (Referenced to the  
applicable number in the notes to the Annual Financial  
Statements):

The reconciliations of unauthorised expenditure as well as fruitless and wasteful expenditure disallowed, together with the explanatory information set out in the note to the annual financial statements are in terms of Section 125(2)(d) of the Municipal Finance Management Act.

**8. MANAGEMENT REPORTING**

- 8.1 Management information concerning the status of the disciplinary steps and or criminal proceedings instituted with respect to all Unauthorised, Irregular, Fruitless and Wasteful Expenditure incurred by the Municipality shall be provided to the Chief Financial Officer on a monthly basis. The information should preferably include the date of the incident, a description of the incident and the subsequent steps taken.
- 8.2 Any approval granted to write off debt owed to the Municipality, shall be provided to the Chief Financial Officer on a monthly basis. This will be in the form of a Council decision.





# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **UNFORSEEN AND UNAVOIDABLE EXPENDITURE POLICY, PROCESSES AND PROCEDURES**

**2022/2023**

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## 1. POLICY

### 1.1 OVERVIEW

1.1.1 Central Karoo District Municipality has developed its unavoidable and unforeseen policy to include activities at all departments at which municipality business is conducted. This in recognizing its need for good governance even in the most pressurized and demanding environment.

1.1.2 The unavoidable and unforeseen policy is a transparent and codified internal control system aimed at promoting its core District Objectives to ensure that the limited resources at the disposal of Central Karoo District Municipality will be focused towards serving the various stakeholders in the pursuit of their interactions with Central Karoo District Municipality both efficiently and adjacent to approved budgets and broader financial policies of Central Karoo District Municipality, whilst minimizing the temptation of misuse of municipality funds.

1.1.3 ***"Unavoidable and Unforeseen" is defined in this context as expenditure which in the normal business activities of the district could not have been foreseen and has thus not been accounted for, at the passing of its annual financial budget.***

1.1.4 The policy is applicable to all Central Karoo District Municipality staff that is entrusted with the daily execution of municipal business. It seeks to institute the necessary control measures to facilitate the daily activity of the municipality by providing:

1.1.4.1 A guideline for all officials and councillors alike;

1.1.4.2 An internal dynamic document detailing the processes required for the efficient reporting, verification and ratification of such unavoidable and unforeseen expenditure post the transaction necessary to ensure the efficient administration of the Central Karoo District Municipality budgets.

## **1.2      PURPOSE**

- 1.2.1      The Unforeseen and Unavoidable Expenditure policy seeks to provide for and accommodate expenses that may occur or be unavoidable in the normal execution of municipal functioning, and to codify the process which will ratify and approve such unforeseen or unavoidable expenses incurred.
- 1.2.2      Whist the policy framework serves to assist management, employees and councillors of the Central Karoo District Municipality to have recourse to a means to ratify unavoidable and unforeseen expenditure, it does not serve to circumvent normal budgetary processes, nor to contribute to fraudulent or corrupt activity.

## **1.3      OBJECTIVES**

- 1.3.1      To ensure that a prescribed mechanism exists to deal with expenditure relative to or arising from unintended consequences of activities undertaken by municipal officials and councillors by:
- 1.3.1.1      Infusing business processes into internal control which complies with all legislation and statutory requirements;
  - 1.3.1.2      Safeguarding against trash and irresponsible expenditure employment;
  - 1.3.1.3      Driving a culture of accountability over Central Karoo District Municipality by skilling staff and councillors alike;
  - 1.3.1.4      Ratification and Verification of the validity of receipts of unforeseen and unavoidable payments and ensuring that accurate and completeness of recording of receipts and payments occur, relative to the activity undertaken;
  - 1.3.1.5      Ensure that staff should be appropriately trained and be aware of relevant policies and procedures;
  - 1.3.1.6      Communicate to all staff that any monetary loss as a result of non-compliance with this policy is deemed to be gross negligence and could be cause for disciplinary action.



## **1.4      BUSINESS PROCESS FRAMEWORK**

### **1.4.1      Legislative Framework:**

1.4.1.1      Section 29 of the Municipal *Finance Management Act (MFMA) (No. 56 of 2003)*, the *King II Code on Corporate Governance in South Africa (2002)*, *Municipal Budget and Reporting regulations (MBRR) regulation 72*, and other applicable legislation”

- Informs and seeks to regulate unavoidable and unforeseen expenditure and prescribe the process for reporting thereof in terms of the Code of conduct for Councillors and Municipal Staff Members to approve such occurrences.

### **1.4.2      Accounting Framework:**

1.4.2.1      The accounting responsibility lies with the Chief Financial Officer (CFO), or delegated official, who has to ensure that reasonable controls exist to support the implementation of policies. In delegating this function to subordinates, it does not alleviate the responsibility of the Chief Financial Officer. The HOD has to ensure all policies and procedures are communicated to and implemented by the responsible individual(s).

## 2. PROCESSES

### 2.1 RATIONALE

- 2.1.1 Generally, there are a large number of business units in a typical municipality, and in the pursuit of its core function of service delivery, payment for goods and services are a necessary consequence. Central Karoo District Municipality thus has to regulate and reconcile payments relative to annual budgets raised. In exceptional circumstances occasions may give rise to unforeseen and unavoidable expenses being incurred.

#### General Guidelines:

- i. The business unit charged with executing the acquisition of goods or services which becomes aware of the need to incur unforeseen or unavoidable expenditure should immediately approach the Chief Financial Officer (CFO) detailing the transaction and the cost implications of such transaction both should it be undertaken as well as not undertaken;
- ii. The business unit needs to confirm to the CFO that such anticipated expenditure does not fall within the prescripts of section 72(2) of the MFMA Budget and Reporting Regulations which prohibits certain transactions being undertaken by the Executive Mayor, nor does it detract from the statutory reporting guidelines which govern supply chain management;
- iii. The CFO will firstly consider whether raising such cost cannot be contained by apportioning it via a virement process – which would allow for the shifting of funds within the relevant business unit budgets, before pursuing the prescripts of this policy;
- iv. The CFO, should it become necessary to pursue the prescripts of this policy, will inform the Municipal Manager thereto.

### 3. PROCEDURES

#### 3.1 FRAMEWORK FOR REPORTING

3.1.1 The Reporting framework leading to accounting rests with the following municipal office bearers:

3.1.1.1 The Directorate within which the unavoidable and unforeseen expenditure has occurred is responsible for generating the initial report detailing such occurrence;

3.1.1.2 The Legal Office Bearers of the Municipality is to scrutinize such report and advise as to the broader legal implications thereto;

3.1.1.3 The CFO is to scrutinize such report and evaluate as to the financial implications thereto;

3.1.1.4 The CFO needs to advise the Municipal Manager who has to forward the Budget department prepared submission to the Executive Mayor;

3.1.1.5 The Executive Mayor after careful perusal will prepare the necessary recommendation or disclaimer for submission to Council;

3.1.1.6 Council will consider such mayoral submission for either final approval or recommendation for further action.

#### 3.2 FRAMEWORK FOR ACCOUNTING

3.2.1 Upon receipt of the necessary approval from the Council, the necessary system adjustments need to be made for accounting purposes immediately;



- 3.2.2 The transaction thereafter needs to be completed so as to minimize any unnecessary risks associated with not meeting the commitment;
- 3.2.3 An adjustment budget would then be submitted at the next General Council Meeting.

### 3.3 AUTHORISATION

3.3.1 **MFMA Budget and Reporting Regulations 71 & 72** holds that the Executive Mayor may authorise expenditure in terms of Section 29 of the MFMA only if:

3.3.1.1 *The expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and*

3.3.1.2 *The delay that will be caused pending approval of an adjustment budget by the municipal Council in terms of section 28(2)(c) of the Act to authorize the expenditure may –*

- i. *Result in significant financial loss for the municipality;*
- ii. *Cause a disruption or suspension or serious threat to the continuation of municipal services;*
- iii. *Lead to loss of life or serious injury or significant damage to property;*
- iv. *Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.*

3.3.2 The Executive Mayor cannot authorize expenditure in terms of section 29 of the **MFMA** if the expenditure –

3.3.2.1 *Was considered by the Council, but not approved in the annual budget of the municipality;*

3.3.2.2 *Is required for –*

- i. *price increases of goods or services during the year;*
- ii. *new municipal services or functions during the financial*



*year;*

- iii. *the extension of existing municipal services or functions during the financial year;*
- iv. *the appointment of personnel during the financial year; or*
- v. *allocating discretionary appropriations to any vote during the financial year; or*

3.3.2.3 *Would contravene any existing Council policy; or*

3.3.2.4 *Is intended to ratify irregular or fruitless and wasteful expenditure.*

### **3.4 MONETARY LIMITS**

3.4.1 *The amount of expenditure that the executive mayor of Central Karoo District Municipality may authorise in terms of section 29 of the **MFMA** and **MBRR 72(b)** is limited to –*

**The greater of R5m (Five Million Rand) or 4% of the Municipality's own revenue – the current budgetary Operation Expenditure of Central Karoo District Municipality being approximately R80m (Eighty Million Rand) per annum.**

### **3.5 RECONCILING AND MONITORING**

- 3.5.1 The unforeseen and unavoidable expenditure has to be raised in the above prescribed format;
- 3.5.2 It may not exceed 4% of the business unit approved budget;
- 3.5.3 Has to be reported to Council within 30 days of being raised;
- 3.5.4 An adjustment budget must be submitted at the next General Council Meeting;

- 3.5.5 Section 17(3) requires an annual review of this policy for tabling before the General Council;
- 3.5.6 Any legislative amendments and enactments need to be incorporated into this policy and submitted to Council for review;
- 3.5.7 If the Adjustment Budget is not passed within 60 days of raising such expenditure, then the expenditure is unauthorized and section 32 applies.

### **3.6 AMENDTMENT AND REVIEW**

- 3.6.1 The Unforeseen and Unavoidable Expenses Policy shall be reviewed annually and/or at the discretion of the CFO due to changing circumstances as a result of the legislation or otherwise.



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **POLICY: DETERMINATION OF UPPER LIMITS OF SALARIES, ALLOWANCES AND BENEFITS OF DIFFERENT MEMBERS OF COUNCILS**

**2022/2023**

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## 1. INTRODUCTION:

- 1.1 The Central Karoo District Municipality continuously endeavours to achieve best practice policies and procedures in its administration and operations. In order to enable and enhance the productivity of the municipality's strategic business units it is critical that we make use of sound and latest means of communication technology. It is on this premise that municipal political office-bearers should have access to tools of trade, cellular phones and data in the performance of their daily duties.

## 2. APPLICABLE LEGISLATION:

- 2.1 Remuneration of Public Office Bearers Act, 20 of 1998: Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils. [as amended from time to time]
- 2.2 Local Government: Municipal Systems Act, 32 of 2000 – Code of Conduct for Councillors (Schedule 1).
- 2.3 Local Government: Municipal Structures Act, 117 of 1998.

## 3. DEFINITIONS:

Unless the context indicates otherwise, a word or phrase to which a meaning has been assigned in the Remuneration of Public Office Bearers Act (20 of 1998) and the Local Government: Municipal Structures Act, 117 of 1998, has the meaning that:

- 3.1 **“Basic Salary”** means the salary component of a councillor that excludes a travel allowance as provided in item 11, housing allowance as provided in item 11, the municipal contribution to a pension fund as provided in item 18 and municipal contribution to a medical aid scheme as provided in item 19;
- 3.2 **“Full-time Councillor”** means a councillor who has been elected or appointed

- to an office which has been designated as full -time in terms of section 18(4) of the Structures Act;
- 3.3 **“Grade”** in relation to this Notice means the grade of municipal council as determined in terms of item 5;
- 3.4 **“Part-time Councillor”** means a councillor other than a full -time councillor;
- 3.5 **“Pension Fund”** means any pension, provident or retirement annuity fund established and registered in terms of, and subject to, any law governing the registration and control of pension funds in the Republic of South Africa and to which an office bearer contributes or any pension scheme approved by Parliament for such office bearers;
- 3.6 **“Section Committee”** 79 means a committee of the municipal council established in terms of section 79 of the Structures Act;
- 3.7 **“SETAs”** means the Sector Education and Training Authorities established in terms of section 9 of the Skills Development Act, 1998 (Act No. 97 of 1998);
- 3.8 **“Special Risk Cover”** means an insurance cover, provided to a councillor by the municipality, which covers the loss of or damage to a councillor's personal immovable or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder;
- 3.9 **“Tools of Trade”** means the resources provided by a municipal council to a councillor to enable such councillor to discharge his or her duties in the most efficient and effective manner, and at all times remain the assets of the municipality concerned;
- 3.10 **“Total Municipal** means gross income in respect of a metropolitan, local

## **Income”**

or district municipality based on actual income received as stated in the audited financial statements of that municipality for the 2017/ 18 financial year. The gross income for the municipality will include the following:

- rates on property;
- fees for services rendered by the municipality, or on its behalf by a municipal entity;
- surcharges;
- other authorised taxes;
- levies and duties;
- income from fines for traffic offences and contravention of municipal by -laws or legislation assigned to the local sphere of government;
- regional services council replacement grant for district municipalities;
- interest earned on invested funds other than national and provincial conditional grants;
- rental for the use of municipal movable or immovable property; and
- amounts received as agent for other spheres of government.

The gross income excludes the following:

- transfers and / or grants from the national fiscus and provincial fiscus, with the exception of regional services council replacement grant for district municipalities;  
and
- all value added tax (VAT) refunds.

### **3.11 “Total Population”**

means the official statistics of the population residing in the area of jurisdiction of a metropolitan, local or district municipality, as published in the Community Survey



2016: Statistical Release No. P0301, in terms of the Statistics Act, 1999 (Act No. 6 of 1999);

3.12 **“Total Remuneration Package”** means the annual total cost to a municipality comprising of:

- a basic salary component;
- a travelling allowance as provided in items 11;
- housing allowance as provided in items 11;
- the municipal contribution to a pension, provident or retirement annuity fund as provided in item 18; and
- municipal contribution to a medical aid scheme as provided in item 19 to a councillor in a municipal financial year.

#### **4. PURPOSE OF THE POLICY:**

4.1 The purpose of the policy will be to:

- 4.1.1.1 To specify the salary and allowances of councillors as provided for in Act 20 of 1998;
- 4.1.1.2 To develop a means or framework for the allocation, management and control of tools of trade, cellular phone allowances and data allowances to political office-bearers.
- 4.1.1.3 To provide for replacement of a system of Cellular phone contracts and data contracts by the municipality with the salary allowance system.
- 4.1.1.4 To release the municipality and its officials of the administrative burden of for cellular phone and data contracts.
- 4.1.1.5 To enable the municipality and its officials to focus on its core responsibility of providing services to its jurisdictional citizens.



## 5. ALLOCATION OF NUMBER OF POINTS:

5.1 Allocation of number of points regarding total municipal income, is as follows:

<u>TOTAL MUNICIPAL INCOME</u>	<u>NUMBER OF POINTS</u>
R0 – R10 000 000	8.33
R10 000 001 – R50 000 000	16.67
R50 000 001 – R200 000 000	25.00
R200 000 001 – R1 500 000 000	33.33
R1 500 000 001 – R2 000 000 000	41.67
More than R2 000 000 000	50.00

5.2 Allocation of number of points regarding total population within a municipality, is as follows:

<u>TOTAL POPULATION</u>	<u>NUMBER OF POINTS</u>
0 – 50 000	8.33
50 0001 – 100 000	16.67
100 001 – 250 000	25.00
250 001 – 550 000	33.33
550 001 – 1 800 000	41.67
More than 1 800 000	50.00

## 6. DETERMINATION OF GRADE:

6.1 The sum of the number of points allocated to a municipal council in terms of items 5.1 and 5.2 above, determines the grade of such municipal council as follows:

<u>GRADE OF MUNICIPAL COUNCIL</u>	<u>POINTS</u>
1	0 – 16.66
2	16.67 – 33.33
3	33.34 – 50.00
4	50.01 – 66.67

5	66.68 – 83.35
6	83.36 and above

## 7. REMUNERATION PACKAGES: FULL-TIME COUNCILLORS:

7.1 The upper limits of total annual remuneration for full-time councillors are as follows:

GRADE	TOTAL REMUNERATION			
	EXECUTIVE MAYOR OR MAYOR	SPEAKER, DEPUTY EXECUTIVE MAYOR OR DEPUTY MAYOR	MEMBER OF THE EXECUTIVE COMMITTEE OR MAYORAL COMMITTEE, WHIP OR CHAIRPERSON OF A SUBCOUNCIL	CHAIRPERSON OF A SECTION 79 COMMITTEE
6	R1 350 250 R1 404 260	R1 090 488 R1 134 108	R1 027 223 1 068 312	R997 090 R1 036 974
5	R1 006 728 R1 046 997	R805 382 R837 597	R755 045 R785 247	R732 898 R762 214
4	R859 471 R893 850	R687 575 R715 078	R644 603 R670 387	R625 693 R650 721
3	R827 749 R860 859	R662 000 R688 688	R620 813 R645 646	R608 340 R632 674
2	R775 063 R806 066	R620 051 R644 853	R586 833 R610 306	R569 619 R592 404
1	R752 483 R782 582	R607 716 R632 025	R569 732 R592 521	R553 020 R575 141
The mayor of a plenary type municipality should be remunerated according to the total remuneration package column of mayor/ executive mayor				

## 8. REMUNERATION PACKAGES AND ALLOWANCE: COUNCILLORS ELECTED TO A DISTRICT COUNCIL:

8.1 A councillor elected or appointed to a district council in terms of section 23(1)(b) of the Structures Act, may be paid the upper limit of the total remuneration package or allowance as follows:

- a) If a councillor is elected or appointed as speaker, mayor, executive mayor, member of a mayoral committee, member of an executive committee, chairperson of a section 79 committee or part-time member of a district council, such councillor is entitled to an amount equal to the difference between the total remuneration package that a councillor receives as a member of the local council and the total remuneration package allocated to that office in the district council in terms of items 7, 8, 9, 10, 11, 12, 13, 14 and 15 as the case may be.
- b) If the total remuneration package payable to a councillor as a member of the local council is equal to or higher than the total remuneration package that an appointed councillor to the district council receives, such a councillor is, in addition to the total remuneration package received at the local council, entitled to a sitting allowance not exceeding ~~R1060.80~~ **R1103.23**, regardless of the number of meetings of the district council or committees of that council that are attended by such councillor on a specific day.

8.2 A district municipality is responsible for -

- a) the payment of the remuneration or the allowance referred to in sub-item (1);
- b) the reimbursement of travel expenses not exceeding the applicable tariffs prescribed by the national department responsible for transport for the use of privately-owned vehicles incurred by a councillor for the execution of official duties on behalf of that district municipality, in terms of that district council's policy; and
- c) the payment of cell phone expenses not exceeding 50% of the applicable allowances as prescribed under item 13 incurred by a part-time councillor for the execution of official duties on behalf of that district municipality, in terms of that district council's policy.

**9. UPPER LIMITS re SERVICE ON GOVERNANCE AND INTERGOVERNMENTAL STRUCTURES:**



- 9.1 A councillor designated by organised local government to serve in a governance structure of organised local government must, in addition to the total remuneration package applicable to that councillor, be paid an allowance not exceeding R1060.80, irrespective of the number of meetings attended by such councillor on a specific day.
- 9.2 A councillor designated by organised local government to represent organised local government at any intergovernmental structure, including national and provincial executive authorities, must in addition to the total remuneration package applicable to that councillor, be paid an allowance not exceeding ~~R1060.80~~ **R1103.23**, irrespective of the number of attendances by such councillor on a specific day.
- 9.3 Organised local government is responsible for:
- the payment of the allowance referred to in sub -item (1);
  - the payment of accommodation expenses incurred for attending a meeting of governance and intergovernmental structures in terms of applicable organised local government policy; and
  - reimbursement of travel expenses, not exceeding the applicable tariffs prescribed by the national department responsible for transport for the use of privately –owned vehicles, incurred by a councillor for attending a meeting of governance and intergovernmental structures.

#### **10. REMUNERATION PACKAGES: PART-TIME COUNCILLORS:**

	<b>TOTAL REMUNERATION PACKAGE</b>				
<b>GRADE</b>	<b>EXECUTIVE MAYOR OR MAYOR</b>	<b>SPEAKER, DEPUTY EXECUTIVE MAYOR OR DEPUTY MAYOR</b>	<b>MEMBER OF THE EXECUTIVE COMMITTEE OR MAYORAL</b>	<b>CHAIRPERSON OF SECTION 79 COMMITTEE</b>	<b>ALL OTHER COUNCILLORS</b>



			COMMITTEE OR WHIP		
6	R756 866 R787 141	R640 278 R665 889	R573 056 R595 978	R556 247 R578 497	R505 677 R525 904
5	R561 622 R584 087	R449 299 R467 271	R421 217 R438 066	R408 860 R425 214	R318 591 R331 335
4	R479 472 R498 651	R383 577 R398 920	R359 604 R373 988	R349 055 R363 017	R271 990 R282 870
3	R461 777 R480 248	R369 421 R384 198	R346 339 R360 193	R336 171 R349 618	R261 952 R272 430
2	R432 384 R449 679	R345 907 R359 743	R324 289 R337 261	R314 776 R327 367	R245 280 R255 091
1	R419 784 R436 575	R335 826 R349 259	R314 839 R327 433	R305 602 R317 826	R237 846 R247 360
The mayor of a plenary type municipality should be remunerated according to the total remuneration package column of mayor/ executive mayor					

## 11. UPPER LIMITS ON ALLOWANCES OF COUNCILLORS:

11.1 The upper limits of allowances of councillors, that constitute part of the annual total remuneration package, are as follows:

### 11.1.1 Motor Vehicle and Travel Allowance:

- a) A councillor listed in item 7 and 10 of this Notice may structure his or her basic salary to provide for motor vehicle allowance.
- b) If a councillor structures a vehicle allowance, the councillor must provide proof of ownership of a private vehicle to the municipality and have the vehicle available for official duties.
- c) A councillor who uses a privately -owned vehicle for execution of official duties on behalf of the municipality, may be reimbursed for official kilometres travelled, in addition to the total remuneration package of a councillor as determined in terms of items 7 and 10 of the Notice, not exceeding the applicable tariffs as prescribed by the national department responsible for transport and in terms of the municipal council's policy.

- d) A councillor who utilises a privately -owned vehicle for official purposes must, for purpose of claiming kilometres travelled, keep a travel logbook containing the following information relating to actual official and private kilometres travelled per month as may be determined from time to time by the South African Revenue Service:
- Date of travel;
  - Kilometres travelled; and
  - Travel details, where to and reason for the trip.
- e) A councillor may, in exceptional circumstances and upon good cause shown, and with the approval of the Mayor or Speaker, utilise the municipal -owned vehicle for official purposes: Provided that the municipal council must, in line with the approved municipal council policy, exercise prudent financial management to ensure that the provision of motor vehicle does not undermine the need to prioritise service delivery and sustain viable municipalities.
- f) If a councillor uses a municipal -owned motor vehicle for official purposes, such councillor will not be reimbursed for kilometres travelled.

#### **11.1.2 Housing Allowance:**

- a) A councillor may structure his or her salary to provide for housing allowance as part of the total remuneration package.

### **12. OUT OF POCKET EXPENSES:**

- 12.1 A councillor may, in addition to the total remuneration package, be reimbursed for reasonable and actual out of pocket expenses incurred during the execution of official or ceremonial duties, in accordance with the applicable municipal council policy.

**13. CELL PHONE ALLOWANCES:**

- 13.1 A councillor may, in addition to the annual total remuneration packages provided for in terms of items 7 and 10 respectively, be paid a cell phone allowance not exceeding R3400.00 per month in accordance with the applicable municipal council policy.
- 13.2 A monthly cellular phone allowance will be paid and reflected in their salaries to acquire cellular phone service from either of the mobile phone operators in the Republic of South Africa.
- 13.3 The method for acquiring the cellular phone service could either be through a personal contractual agreement or prepaid.
- 13.4 Political office-bearers must furnish the Corporate Services department with cellular numbers that they use for official purposes as soon as they have entered into a contract or obtained a gadget through prepaid that will enable them to effectively and efficiently perform their assigned official functions as and when it is necessary to do so.
- 13.5 Any contractual agreement entered into between political office-bearers and the service provider is binding on the said official and the municipality is absolved in any shape or form from that agreement.
- 13.6 Political Office-bearers who already have private contracts or any means of cellular phone access may use same for official purposes for as long as they can be accessed at any time of the day, including after hours.
- 13.7 In the event that the Political Office-bearer or Councillor cease to hold office at the Central Karoo District Municipality the allowance shall also be discontinued immediately.



**14. DATA ALLOWANCES:**

- 14.1 A councillor may, in addition to the annual total remuneration packages provided for in terms of items 7 and 10 respectively, be paid an allowance on the use of data bundles not exceeding R300 per month.
- 14.2 A monthly data allowance will be paid and reflected in their salaries to acquire data service from either of the mobile data operators in the Republic of South Africa.
- 14.3 The method for acquiring the data service could either be through a personal contractual agreement or prepaid.
- 14.4 Political Office-bearers who already have private contracts or any means of data access may use same for official purposes.
- 14.5 In the event that the Political Office-bearer or Councillor cease to hold office at the Central Karoo District Municipality the allowance shall also be discontinued immediately.

**15. TAX IMPLICATIONS FOR CELLULAR PHONE AND DATA ALLOWANCES:**

- 15.1 A Cellular phone and data allowance is affected through the payroll system and is therefore subjected to tax.
- 15.2 The determination of allowance, through the Budget and Treasury department, shall also take into consideration tax implications of the allowances.
- 15.3 Because it is a taxable allowance, cellular phone and data allowances should not be misconstrued as inclusive of a negotiated remuneration package.

**16. MAINTENANCE AND LOSS OF EQUIPMENT:**

- 16.1 The repairs and maintenance of cellular phones, data cards, data dongles and/or any other gadgets by means of which data can be supplied will be for the cost of Users and in no way shall Council be held responsible, be it for a sim swap, wear and tear or replacement of the gadget thereof; whether lost through theft or under



any form of duress.

**17. INSURANCE:**

- 17.1 Political Office-bearers are responsible for insuring of their cellular phones, and data gadgets, against any theft, loss or damage.
- 17.2 Political Office-bearers must ensure that the cellular phone, and data gadgets, is accessible for council activities and functions at all times, failing which the user may risk losing the allowance.
- 17.3 If a Political Office-bearer is consistently unavailable on cellular phone for a two months period, the Municipal Manager have the discretion to stop the allowance of the said official.
- 17.4 The reactivation of the allowance shall be done once a satisfactory written explanation is provided to the Municipal Manager.

**18. PENSION, PROVIDENT AND RETIREMENT FUNDS:**

- 18.1 A councillor may participate in a pension, provident or retirement annuity fund registered in terms of the Pension Fund Act, 1956 (Act No. 24 of 1956).
- 18.2 If a councillor elects to participate in a pension, provident or retirement annuity fund, the municipality must pay from his or her monthly salary, on behalf of that councillor, the monthly council contributions and councillor contributions to a pension, provident or retirement annuity fund to which the councillor is a member in accordance with the rules of such pension, provident or retirement annuity fund. The contributions by the municipal council and the councillor are included in the total remuneration package as a total cost to the municipality.

**19. MEDICAL AID SCHEME:**

- 19.1 A councillor may participate in a medical aid scheme registered in terms of the Medical Schemes Act, 1998 (Act No. 131 of 1998).

- 19.2 If a councillor elects to participate in a medical aid scheme, the municipal council must deduct from that councillor's salary, the monthly contributions and pay the contributions to a medical aid scheme to which the councillor is a member in accordance with the rules of such medical aid scheme. The contributions by the municipal council and the councillor are included in the total remuneration package as a total cost to the municipality.

**20. SPECIAL RISK COVER:**

- 20.1 A municipality must, in addition to the annual total remuneration packages as provided in items 7 and 10 respectively, take out risk insurance cover, to provide for an insurance cover, provided to a councillor by the municipality, which covers the loss of or damage to a councillor's personal immovable or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder. The special risk insurance on residential property will be limited to R1, 5 million while on vehicles it is limited to R750 000. The life and disability insurance cover are limited to 2 times the total remuneration package of a councillor.
- 20.2 In the event where the residential property of a councillor was damaged or destroyed as a result of riot, civil unrest, strike or public disorder, the municipality may, subject to affordability, provide alternative accommodation to the affected councillor, for a period of 30 days from the date of such an incident.
- 20.3 Notwithstanding sub -item (2), the municipal council may, on good cause shown, provide alternative accommodation for a further period not exceeding 30 days.
- 20.4 A councillor is obliged to submit to the municipality details of property, assets and beneficiaries to be covered by the special risk insurance upon request. A councillor who fails to submit the required details referred to herein will forfeit the benefits associated with the special risk insurance cover.
- 20.5 If a councillor already belongs to another special risk cover, such councillor must declare to the municipality the details of property, assets and beneficiaries to be covered by the special risk insurance.

## 21. TOOLS OF TRADE:

21.1 A framework for providing support to public office bearers is contained in the Remuneration of Public Office Bearers Act and is renewed annually by the Minister of Cooperative Governance and Traditional Affairs.

21.2 Currently a municipal council may provide tools of trade to a councillor in terms of Section 15(a) of the Act, taking into account Section 15(b) of the Act, that *“where a municipal council makes available tools of trade in terms of paragraph (a) above, such a municipal council must take into account accessibility, affordability and cost control; equity; flexibility; simplicity; transparency and accountability and value of tools of trade.”*

21.3 Tools of trade that may be extended include:

	<u>TOOL OF TRADE</u>	<u>CONDITIONS</u>	<u>CKDM POSITION</u>
1.	Braille reader	To be provided to all visually impaired councillors	NO
2.	Office space and furniture	To be provided to full-time councillors, part-time	Mayor & Speaker
	Parking bay	Executive Mayors or Mayor; part-time Deputy	Mayor & Speaker
	Business Cards	Executive Mayors or Deputy Mayors, part-time	NO
	Calculators	Executive Mayors or Deputy Mayors, part-time	NO
	Letter-heads	Speakers, <b>part-time</b>	NO
	Stationary	<b>Members of Mayoral</b>	NO
	Toner Cartridges	<b>Committee</b> or Members of Executive Committee	YES
	Diaries		NO
	Postage Costs		NO



	Office Telephone	and part-time	Mayor & Speaker
	Appropriate mobile technology and multi-digital office (excluding cell phones and data card)	Chairpersons of Section 79 Committees	NO
	Laptop, Tablet and/or desktop computer		Full-time councillors and directly elected councillors
	Facsimile		Mayor & Speaker (1 unit to share), rest of councillors to be provided with access
	Printer		Mayor & Speaker (1 unit to share), excluding non-directly elected Councillors
	Photocopier		Mayor & Speaker (1 unit to share), excluding non-directly elected Councillors
	Scanner		Mayor & Speaker (1 unit to share), excluding non-directly elected Councillors
3.	Business cards; Calculators; Letter-heads; Stationary; and Diaries	To be provided to part-time councillors and the usage must comply with policy directives of the municipality	Only diaries to be provided
4.	Postage Costs; Office telephone; and Multi-digital office, facsimile, printer, photocopier and scanner	Part-time councillors to have access to these tools of trade at the municipal offices	Access in Municipal Building - excluding non-directly elected Councillors
5.	Personal security to Executive Mayors or Mayors	Executive Mayors, Mayors or Speakers may not have more than two bodyguards. Deviations may only be based on the recommendations of the South African Police Service.	As and when required
6.	Personal security to any other councillor	Subject to a threat and risk analysis conducted by the South African Police Service	As and when required
7.	Official accommodation	To be provided to full-	NO



	and furniture	time Executive Mayors or Mayors	
	The extension and implementation of the above tools of trade must be done in consultation with the member of the Executive Council responsible for local government in the province concerned.		

21.4 Full-time Councillors are housed in official Municipal Offices fully equipped as envisaged under 3.3 *supra*

21.5 Full-time councillors to have access to the following tools of trade at the municipal head office and to be assisted by the office of the speaker:

Office telephone, facsimile, printer, photocopier and scanner.

Part-time councillors are not entitled to be issued with any stationary and can also not use postage of the municipality or newsletters.

21.6 The municipality will not be issuing the following items:

Calculators, Letter-heads, tippex or any eraser ink, coloured pens or pencils, highlighters, flags or markers.

Business Cards will be provided to full-time and directly elected Councillors, only upon request.

## 22. LIMITS:

22.1 Limits are promulgated annually in the government gazette.

22.2 A monthly Cellular Phone Allowance in the maximum amount as allowed for by the Remuneration of Public Office Bearers Act, 20 of 1998 (as revised) will be given to full time political office-bearers.

22.3 A monthly Data Allowance in the maximum amount as allowed for by the Remuneration of Public Office Bearers Act, 20 of 1998 (as revised) will be given to full time political office-bearers.

22.4 These limits will under no circumstances be varied, exceeded or altered by the Municipality, unless provided for in the government gazette.

**23. CAPACITY BUILDING:**

23.1 The municipal council must develop and adopt a skills development plan and personal development plan prior to any councillor undergoing training.

23.2 A municipality must make a provision in its budget for development and implementation of capacity building programme for a councillor during the term of office of that councillor.

23.3 Capacity building programme consist of short courses or programmes as provided for in the training, education and development policy and skills development plan of the municipality, including training conducted by national departments, associated government agencies and SETAs, provincial departments, municipalities and organised local government.

23.4 The capacity building programme must take into consideration the capacity needs to fulfil a councillor' statutory obligations and affordability by a municipality.

**24. OVERPAYMENT:**

24.1 Any remuneration paid to a councillor of a municipality otherwise than in accordance with section 167(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 53 of 2003) including any bonus, bursary, loan, advance or other benefit, is an irregular expenditure and the municipality -

- a) must recover that remuneration from the political office bearer or member; and
- b) may not write -off any expenditure incurred by the municipality in paying or giving that remuneration.

**25. MONITORING, EVALUATION AND CONTROL:**

- 25.1 The Finance Section, as well as Mayor of the Central Karoo District Municipality, will be the implementing agents of this policy and shall ensure that all councillors comply with the provisions thereof.
- 25.2 This policy shall become the official policy of the municipality once it is adopted and approved by the Council of the Central Karoo District Municipality.
- 25.3 The policy shall be reviewed at the end of every financial year to cater for legislative amendments as well as environmental changes.

**26. APPROVAL OF POLICY:**

- 26.1 The content of this policy will come into force and effect when approved by Council and must be reviewed in accordance with changes in legislation.



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **VIREMENT POLICY**

**2022/2023**



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## 1. BACKGROUND

1.1 Virement is the process of transferring funds from one-line item of a budget to another. The term is derived from a French word meaning a commercial transfer.

1.2 Each year, Central Karoo District Municipality (the municipality) produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (for example, due to the occurrence of disasters), savings and reduced revenue projected. As a result, it becomes necessary to transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the Council, and as the Municipal Finance Management Act (MFMA) is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.

## 2. PURPOSE

2.1 The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

## 3. DEFINITIONS

3.1 “MFMA” Local Government: Municipal Finance Management Act, 56 of 2003;

3.2 “Virement” The process of transferring funds from one line item of a budget to another;

**“Vote”**

As contained in Section 1 of the MFMA:

*"vote means –*

- (a) *one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*
- (b) *which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”*

#### 4. LEGISLATIVE CONTEXT

- 4.1 The Central Karoo District Municipality is committed to adhering to and applying the prescribed legislative environment as it applies to virements, with specific reference to:

- |       |   |
|-------|---|
| 4.1.1 | The Constitution of the Republic of South Africa;                   |
| 4.1.2 | The Local Government: Municipal Finance Management Act, 56 of 2003; |
| 4.1.3 | Treasury Regulations issued in terms of the MFMA.                   |

## 5. SCOPE FOR APPLICATION

- 5.1 This policy applies only to transfers between line items within votes of the Municipality's operating budget and own funded Capital budget.
- 5.2 Section 28(2) (d) read together with section 69 of the MFMA provides that *"An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote."* Transfers between votes may therefore be authorised only by the Council of the Municipality.
- 5.3 This policy shall not apply to transfers between or from capital projects based on grant funding or items and no such transfers may be performed under this

policy.

- 5.4 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the council through an adjustments budget.

## **6. RESPONSIBLE OFFICIALS**

- 6.1 The Municipal Manager shall be responsible for the implementation and administration of this policy.

- 6.2 A transfer of funds from one-line item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

6.2.1 If the amount does not exceed R 30 000 then the transfer may be authorised by the budget manager, for example the Manager: Municipal Health.

6.2.2 If the amount does not exceed R 200 000, the transfer may be authorised by the relevant Director or HOD.

6.2.3 If the amount exceeds R 200 000 the transfer must be authorised by the Municipal Manager, consultation with the Chief Financial Officer is recommended.

6.2.4 All virements must be signed off on by the Chief Financial Officer.

- 6.3 Virements can only be done after the necessary consultation with, and upon request of the Head of Department.

## **7. LIMITATIONS ON AMOUNT OF VIREMENT**

- 7.1 Notwithstanding the provisions of section 6:

7.1.1 The total amount transferred from and to line items within a



particular vote in any financial year may not exceeding 40% of the amount allocated to that vote;

7.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 30% of the total operating budget for that year;

7.1.3 Virements may not be done between different votes or types of expenditure; and

7.1.4 Virements may be done within capital acquisitions if the original project was completed and savings remained.

7.1.5 Virements in the Roads budget may be made from one project to another and new projects may be created within the budget during the year, as the operational needs of the Department changes. The operational needs of the Department are subject to constant changes and flux as a result of uncontrolled factors such as storm and water damage to roads in the District and the agreements made with the Department of Transport and Public Works (Western Cape). The virements in the Roads budget is not subject to the value as determined in 6.2.3 as the Departmental Head is fully authorised to manage the budget.

7.2 A transfer which exceeds, or which would result in the exceeding of, any of the limits referred to in 6 above may, however, be performed if the Council by resolution approves thereof.

## **8. VIREMENT PERMITTED ONLY IF SAVINGS ARE PROJECTED**

8.1 A transfer of funds from one-line item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

9. FURTHER RESTRICTIONS ON VIREMENT

- 9.1 A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:
- 9.1.1 Contravene any policy of the Municipality; or
  - 9.1.2 Alter the approved outcomes or outputs of an Integrated Development Plan; or
  - 9.1.3 Result in any adjustment to the Service Delivery and Budget Implementation Plan;
  - 9.1.4 No transfer of funds shall be permitted if same were to result in any change to the staff establishment of the Municipality ~~except if the Municipal Manager approves of such change~~;
  - 9.1.5 No virements may be made from and to employee related costs;
  - 9.1.6 No virement may be made from the depreciation line items;
  - 9.1.7 No virement may be made between items funded from different funding sources.
- 9.2 If any sub-vote has been specifically ring-fenced, no transfer of funds may be made under this policy to or from such line item.
- 9.3 Transfers of funds may not be made under this policy between or from grant funded capital items or projects.
- 9.4 To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.
- 9.5 By definition, transfers may not be made under this policy from a line item administered by one department to a line item administered by another, unless approved by the CFO, and agreed upon by all relevant Senior Managers and Director(s).
- 9.6 In accordance with Section 30 of the MFMA, no transfer of funds may be

made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.

- 9.7 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.
- 9.8 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.
- 9.9 The approval of any transfer shall not per se constitute expenditure authority, and all expenditure resulting from approved transfers must, to the extent that same is applicable, be carried out in accordance with the Municipality's Supply Chain Management Policy.

## **10. PROCEDURE FOR VIREMENT**

- 10.1 Proposals for transfers may be made by the Head of Department concerned.
- 10.2 The Municipal Manager shall prescribe a form on which all proposals for transfers of funds under this policy shall be made, which form shall include, but not be limited to, provisions for the following:
- 10.2.1 the name of the department concerned;
  - 10.2.2 descriptions of the line items from and to which the transfer is to be made;
  - 10.2.3 the amount of the proposed transfer;
  - 10.2.4 the cause of the saving in the line item from which the transfer is to be made;
  - 10.2.5 the justification for the transfer; and
  - 10.2.6 a description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and



## Budget Implementation Plan.

10.3 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if:

10.3.1 The amount of the transfer does not exceed the amount referred to in section 3.1 and the transfer is not between cost- or functional centres, the Chief Financial Officer shall:

- (a) approve the proposal, or
- (b) reject the proposal; or
- (c) refer the proposal to the Municipal Manager for approval or rejection;

10.3.2 the amount of the transfer does not exceed the amount referred to in section 3.1 but the transfer is between cost or functional centres, or if it falls within the range of amounts referred to in section 3.2, the Chief Financial Officer shall, shall approve or reject the proposal;

10.3.3 the amount of the transfer falls within the range of the amounts referred to in section 3.3, the Chief Financial Officer shall refer the matter to the Municipal Manger.

10.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

## 11. REPORTING

11.1 The Municipal Manager shall submit a report on all transfers made under this Policy to the Executive Mayor if the transfers impact more than 5% of the budget of the functional area (excluding virements of the Roads budget).

## 12. RELATED POLICIES

12.1 The following policies are related to this policy:



- 12.1.1 The Supply Chain Management Policy;
- 12.1.2 Municipal Budget Policy.

**13. REVIEW**

- 13.1 This policy will be reviewed at least annually and updated if needed.

**14. EFFECTIVE DATE**

- 14.1 This policy shall come into effect when approved by Council.