

MADIBENG LOCAL MUNICIPALITY



Approved Procedure Manual On Supply Chain Management

Effective: 11 October 2012

1. LEGISLATIVE REQUIREMENTS

In terms of Chapter 11 of Municipal Finance Management Act (MFMA) No. 56 of 2003 and Supply Chain Management (SCM) Regulations No. 27636 of 30 May 2005 issued in terms of Local Government: MFMA Notice 868 of 2005, the municipality is required to implement supply chain management Policy of the municipality. It is for this reason that the municipality must develop procedures to ensure that the approved SCM Policy and relevant legislation including National Treasury Guidelines are implemented.

2. OBJECTIVES

- To ensure discipline approach to procurement that includes:
 - a) All relevant legislative and regulatory requirements within the framework of broader contemporary government priorities.
 - b) Efficient and effective procurement practices and systems to ensure the implementation of the principles of fair dealing.
 - c) Eliminate fraud or any other irregularities.
 - d) Adopting a uniform procurement system and providing leadership across the municipality.
 - e) Maintaining national standards and pursue best practice
- To ensure that the municipality is in line with the supply chain management legislation i.e. SCM Policy of Madibeng Local Municipality, Supply Chain Management Framework, Preferential Procurement Policy Framework Act No 5 of 2000 and its Regulation and MFMA No 56 of 2003, the Constitution of the Republic of South Africa as well as MFMA Circulars as Guidelines from National Treasury.
- To ensure that the municipality has and maintains appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

3. CORE PRINCIPLES

- Ensure that transactions achieve the best net value for money outcome.
- Provide suppliers and service providers with the opportunity to compete for business in an open and transparent manner.
- Suppliers and service providers are dealt with in a fair, equitable and even-handed manner.

- No compromise in acceptance by staff, contractors or consultants of gifts and hospitality.
- Conflicts of interest at all levels are identified and managed appropriately within the ambit of the law.

4. REGULATIONS

- ❖ All purchases, work and services requisitions must be authorized by the requesting department head with final approval by Budget and Treasury Office.
- ❖ All quotations must be sourced from SCM Unit i.e. no department is allowed to source for quotations.
- ❖ No core administration other than SCM Unit is permitted to procure any stock items, services and items held as inventory.

5. CLASSES OF CONTRACTING

- ❖ 50% of municipality's monetary value will be procured from BBBEE companies
- ❖ R1- 2,000 one written or verbal quotation
- ❖ R2,001- 10,000 two written quotations
- ❖ R10,001, 001-200,000 three written quotes on 80/20 Point scoring system with final approval by Director of the requesting directorate.(All procurement above R30 000,00 . R200 000.00 should be advertised for seven days on municipality notice board(s).
- ❖ R200,001-1,000,000 Bid Process on 80/20 Point Scoring System
- ❖ >R1, 000,000 Bid Process on 90/10 Point Scoring System

6. QUOTATION PROCESS

| Step | Procedure | Responsible Official |
|-------------|--|--|
| Step1 | Identify a need to procure goods or services and check if budget is available to cover the costs. Directorate procurement plan should be utilized. | Official of the Requesting Directorate |
| Step 2 | Compile a requisition for goods or services form. | Official of the Requesting Directorate |
| Step 3 (a) | Authorize the requisition for goods or services. | Manager of the requesting department |
| Step 3(b) | Approve the requisition for goods or | |

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| | services. | Director of the requesting department |
| Step 4 | Certify availability of funds before the requisition of goods or services is forwarded to the Specialist Demand and Acquisition. | Requesting Directorate/Budget Officer |
| Step 5 | Forward the requisition to the Specialist Demand and Acquisition for invitation of quotations. <ul style="list-style-type: none"> - All goods and services to the value of R1- R10, 000.00 the Buyer may generate an order. - Quotations to value of R10, 001.00 to R200, 000.00 must be presented to the Director of the requesting directorate. - Quotations to the value of R200, 000.00, the bid process applies. | Requesting Directorate/Budget Officer |
| Step 6 | Capturing of requisitions in the system | Data Capturer |
| Step 7 | Authorization of Official Purchase Order in the system | Demand and Acquisitions Practitioner |
| Step 8 | Approval of Official Purchase Order in the system | SCM Manager/ Specialist Demand and Acquisitions |
| Step 9 | Receive Delivery of Goods and Services at municipality main Stores in Brits | Receiving Officer at stores |
| Step10 (a) | Capturing Goods Received Note (GRN) | Receiving Officer at Stores |
| Step10 (b) | Receive invoice for goods and services rendered or delivered. | Specialist Demand and |

| | | Acquisitions/Creditors |
|---|--|------------------------|
| Step 11 | All source documents for a transaction must be submitted to the Expenditure department for payment. Voucher to contain the following documents: <ol style="list-style-type: none"> i. Approved Requisition ii. Valid Quotations iii. Official Purchase Order (System generated order) iv. Signed Delivery Note v. System generated Goods Received Note (GRN) vi. Valid Tax Invoice | Procurement Officer |
| Step 12 | Payment voucher must be compiled by expenditure department and all procedures for processing payment must be followed. | Expenditure Officials |
| Deviation/ Emergency procurement after hours and | Where time is of essence, emergency shall be addressed and the process formalized in a report to the Accounting Officer in the next business day. (Director to give instruction to the implementing manager). | Municipal Manager |

7. BID/TENDER PROCESS

7.1 Committee Systems

A committee system has been established, consisting of the following committees for procurement of goods and services:

- a) bid specification committee (BSC)
- b) bid evaluation committee (BEC)
- c) bid adjudication committee (BAC)

7.2. Bid Specifications Committee (BSC)

The bid specifications committee is responsible for compiling specifications for procurement of goods and services of the municipality. The committee is composed by one or more of the municipal officials as follows:

- a) Chairperson appointed by Municipal Manager
- b) Manager responsible for the function

- c) Where appropriate specialists
- d) Supply chain management practitioner to provide guidelines in relation of SCM Regulations, Policy and other governing prescripts.

7.3 Bid Evaluation Committee (BEC)

The evaluations committee evaluates bids in accordance with the specifications for a specific procurement and point scoring system set out in the municipality's procurement policy. Evaluate each bidder's ability to execute the contract and submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter. The evaluations committee should at least be composed of:

- a) Chairperson appointed by Municipal Manager
- b) manager of the requesting directorate
- c) Officials from directorate requiring goods or services
- d) Supply chain management practitioner

7.4 Bid Adjudication Committee (BAC)

The bid adjudication committee must consider the report and recommendations of the bid evaluation committee and either depending on its delegations as set out in the SCM regulations make a final award; or a recommendation to the accounting officer to make a final award or make another recommendation to the accounting officer how to proceed with the relevant procurement. The adjudication committee should consist of at least four Directors as follows:

- a) The Chairperson of the adjudication committee; where the chairperson is absent the accounting officer must appoint a chairperson of the committee, if the chairperson is absent from the meeting the committee members may appoint a chairperson from the members who are present to preside at the meeting.
- b) The chief financial officer and 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.
- c) At least one senior supply chain management practitioner who is an official of the municipality.
- d) Technical expert in the relevant field who is an official if such an expert exists
- e) No member of a bid evaluation committee nor an advisor or person assisting the evaluation committee may be a member of the adjudication committee

If the adjudication committee decides to award a bid other than the one recommended by the evaluation committee, the bid adjudication must:

- a) Check if the preferred bidder's municipal rates and taxes are not in arrears
- b) Notify the accounting officer

7.4. Bid Process

| Step | Procedure | Responsible Official |
|-------------|---|---|
| Step 1 | Identify a need to procure goods or services and check if budget is available to cover the costs. Procurement Plan should be utilized. | Official of the Requesting Directorate |
| Step 2 | Compile specifications of the goods or services to be procured. | BSC |
| Step 3 | Recommend specifications to Municipal Manager | Chairperson of BSC |
| Step 4 | Compile and forward requisition to invite bids to SCM Unit. | BSC & Chairperson |
| Step 5 | Ensure that advertisement to invite bids is placed in newspapers, municipal website and notice boards and that the advert complies with relevant legislation. | Specialist Demand and Acquisition |
| Step 6 | Official opening and registration of Bids | Specialist Demand and Acquisition, Official from Legal, official from user department, and members of the public. |
| Step 7 (a) | Pre-Screening of bids to verify compliance to bid requirements and other relevant information. | SCM Unit |
| Step 7 (a) | Handover of bids to external | SCM Unit, BSC Chair |

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| Step 7 (b) | consultant for independent opinion. Handing over bids to implementing department for pre-evaluation | SCM Unit |
| Step 8 | Organize BEC meeting | SCM Manager/ Specialist Demand and Acquisition in consultation with BEC Chairperson. |
| Step 9 | Evaluation of bids, compilation of BEC reports and recommendation of preferred bidder. | Bid Evaluation Committee |
| Step 10 (a) | Organize BAC meeting | SCM Manager/ Specialist Demand and Acquisition in consultation with BAC Chairperson. |
| Step 10 (b) | Adjudication and final award of tender as per SCM Regulation No.27636 | Bid Adjudication Committee/Accounting Officer |
| Step 11 (a) | Receive signed minutes of BAC and compile appointment letter | SCM Manager or delegate |
| Step 11 (b) | Sign Letter of appointment | Municipal Manager |
| Step 11 (c) | Inform preferred bidder about the award | SCM Manager or delegate |
| Step 11 (d) | Sign Contract/SLA | Municipal Manager |

8. CANCELLATION AND REINVITATION OF BIDS

Bids may be cancelled or re-advertised for the following reasons only:

- a) Goods no longer required
- b) Funds no longer available to pay expenses
- c) No acceptable bids were received (bids were none responsive)
- d) In the event of 80/20 preferential point scoring system, all bids received are equal or exceeds R1,000,000.00
- e) In the event of 90/10 preferential point scoring system all bids are equal or less than R1,000,000.00

Where bids have been cancelled due to (d) and (e) above, the bid will be re-advertised and indicate the preference point to be applied during evaluation.

9. DELIVERY OF GOODS AND SERVICES

- a) All goods must be delivered at the municipality's main store in Brits. No delivery of goods will be done directly to requesting official or directorate unless proper arrangement has been made with the Receiving Officer.
- b) All goods must be received by authorized personnel in the stores and recorded accordingly.
- c) Only authorized personnel at stores may issue goods.

10. SOLE SUPPLIER

A sole supplier in terms of supply chain management framework means: the supplier or service provider is the only entity that can provide a particular goods or services in the Republic of South Africa (RSA). Goods or services will be procured from sole suppliers only if the Department of Trade and Industries confirms that the company is the only supplier or service in the RSA.

11. DEVIATION FROM NORMAL PROCUREMENT PROCESSES

All procurement for goods and services shall be done by SCM Unit through the approved municipal accredited Service Provider Database.

All deviations from normal procurement procedures are to be initiated by SCM Unit only and approved by the Municipal Manager.

12. INVOICE PAYMENT

- a) All payments must be processed by officials in creditors section. No payment may be effected if the payment voucher does not contain one or more of the following documents:
 - i. Copy of the approved requisition
 - ii. original copies of valid quotations/ contract or SLA
 - iii. Approved original system generated order or signed progress report in case of projects.
 - iv. Certified or signed original delivery note or where an invoice also serves as a delivery note, the original copy of the invoice Certified invoices stating:
 - 1. Municipality's official trading name
 - 2. Municipality's address
 - 3. Municipality's VAT number
 - 4. Supplier or service provider's Trading Name
 - 5. Supplier or service provider's Address
 - 6. Supplier or service provider's VAT number
 - 7. Description of goods or services
 - 8. Quantity and unit price of goods or services
- b) No faxed or photocopied invoices must be used as source document for payment of services.
- c) All invoices for services rendered must be certified by the Director of the requesting department before effected for payment.
- d) No payment must be generated from the municipality if there is no proof of services rendered.
- e) No official or councilor of the municipality must collect cheques on behalf of service providers or suppliers.

13. CODE OF ETHICS

Officials, councillors and members of the bid committees must in all their dealings conduct themselves within the established code of ethics of the municipality's approved supply chain policy or Code of Ethics.

14. FINANCIAL MISCONDUCT

All financial misconduct cases will be dealt with as per provisions of chapter 15 of the Municipal Finance Management Act No.56 of 2003 and municipality's approved disciplinary policy.

15. IMPLEMENTATION OF THIS PROCEDURES

This interim procedure supersedes any other procedures already in practice within the municipality until the Supply Chain Management Policy is reviewed and approved by Council. The procedures must be applied in conjunction with the supply chain management regulations no 27636, the municipal finance management act no. 56 of 2003 and the municipality's SCM policy approved in 2005.

Signed:

MONDE JUTA
MUNICIPAL MANAGER