



SUPPLY CHAIN MANAGEMENT POLICY

Policy Number	F001
Policy Category	FINANCE
Commencement Date	19 February 2026
Initial Approval Date	30 June 2016
Last Approval Date	30 June 2016
Review Date	29 February 2027
Policy Manager	Chief Executive Officer

88
H.T.

DISCLAIMER

This Policy has been prepared by the Port St Johns Development Agency SOC Ltd (PSJDA) for its purpose as an information resource only and should not be treated as an exhaustive statement on the subject. While Port St Johns Development Agency believes that this information will be of assistance to you, it is provided on the basis that you will not rely on this information without first making your own enquiries and obtaining your own professional advice specific to your circumstances.

Port St Johns Development Agency expressly disclaims all liability (including but not limited to liability for negligence) for errors or omissions of any kind or for any loss (including direct and indirect losses), damage or other consequence which may arise from your reliance on the information contained in this Policy.

This information has been prepared on the understanding that Port St Johns Development Agency is not, through the issuance of this information, engaging in rendering to you any legal advice or other professional service. Recipients are encouraged to seek their own professional advice prior to relying on any of the information contained in this Policy.

Published by:

Finance Department

Port St Johns Development Agency SOC Ltd

P.O Box 253

Port St Johns

5120

Telephone: 047 564 1188

© Copyright: Port St Johns Development Agency, 2017

Notwithstanding the review date herein, this policy shall remain effective until such time approved otherwise by the Board and may be reviewed on an earlier date if necessary.

88

H.T.

Table of Contents

DISCLAIMER	2
INTRODUCTION	6-7
2. <i>Definitions</i>	7-14
"proof of B-BBEE status level of contributor" means-	8
1. PERIODIC REVIEWS AND APPLICABLE LEGISLATION.....	15
1.1 Periodic Review of this Policy	15
1.2 Relevant and Applicable Legislation (Standards, Acts, Policies, etc.).....	15
2. IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY	15
Application of the policy.....	16
3. SUPPLY CHAIN MANAGEMENT SYSTEM ERROR! BOOKMARK NOT DEFINED.	
Format of supply chain management system.....	16
3.1 System of demand management.....	16-17
3.2 System of acquisition management.....	18-20
4. RANGE OF PROCUREMENT PROCESSES.....	19-21
5. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR COMPETITIVE BIDS	221
6. LISTS OF ACCREDITED PROSPECTIVE PROVIDERS	22-23
7. PETTY CASH PURCHASES.....	23
8. WRITTEN QUOTATIONS	23
9. PROCEDURES FOR PROCURING GOODS OR SERVICES THROUGH WRITTEN QUOTATIONS	23-24
10. COMPETITIVE BIDS.....	24
10.3 Process for competitive bidding.....	24-25
10.4 Bid documentation for competitive bids.....	25-26
10.5 Public invitation of competitive bids.....	26
10.6 Procedure for handling opening and recording of bids	27
10.7 Negotiations with preferred bidders	27

88
H.T.

10.8 Three-stage bidding process	28
10.9 Committee system for competitive bids	28-29
10.10 Bid specification committee.....	29-30s
10.11 Bid evaluation committee.....	30
10.12 Bid adjudication committee.....	30-32
11. PROCUREMENT OF BANKING SERVICES.....	32
12. PROCUREMENT OF IT RELATED GOODS OR SERVICES.....	323
13. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE	33
14. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS.....	34
15. PROUDLY SA CAMPAIGN.....	333
16. APPOINTMENT OF CONSULTANTS	35
17. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES	35-36
18. EXTENTION OF CONTRACTS.....	37
19. UNSOLICITED BIDS	37-38
20. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM	38-40
21. LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT	39-42
21.1 Logistics Management.....	40
21.2 Disposal management.....	40
21.3 Risk management	40
22. Performance Management.....	42-43
23. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER.....	42
24. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE.....	42
25. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE.....	43
26. ETHICAL STANDARDS	44-46
27. INDUCEMENTS, REWARDS, GIFTS AND FAVORS TO PSJDA, ITS OFFICIALS AND OTHER ROLE PLAYERS	46
28. SPONSORSHIPS.....	46
29. OBJECTIONS AND COMPLAINTS	46-47

88
H.T.

30. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES	47-48
31. CONTRACTS PROVIDING COMPENSATION BASED ON TURNOVER	48
32. DECLARATIONS	48
33. DECLARATION OF INTEREST BY OFFICIAL SUPPLIERS, SERVICE PROVIDER AND CONSULTANT	48-49
34. CONTRACT MANAGEMENT	49
34.1 Legal Sound Written contracts or SLAs	49
34.2. Concept of contract management	49-50
35. BIDDER COMPETENCE	49-50
36. IDENTIFICATION OF PREFERENCE POINTS SYSTEM	50
37. NEW AMENDMENTS PPPFA 2022	51
38 POLICY REVIEW	52
39. APPROVAL AND SIGNATURE	52

ST

 A.T.

INTRODUCTION

In terms of the Municipal Finance Management Act (MFMA) Act No. 56 of 2003, each municipality and municipal entity must have and implement a supply chain management policy which gives effect to the provisions of this Part.

The supply chain management policy of the municipal entity must be fair, equitable, transparent, competitive and cost effective and comply with prescribed regulatory framework for municipal supply chain management.

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The board of directors of Port St Johns Development Agency SOC Ltd (PSJDA) resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of Port St Johns Development Agency.

SCOPE OF THE POLICY

This Supply Chain Management Policy applies to all supply chain activities conducted by the organization, including but not limited to:

- Procurement and Sourcing: Selection, evaluation, and management of suppliers, vendors, and service providers.
- Purchasing: Acquisition of goods, materials, and services necessary for operations.
- Logistics and Distribution: Transportation, warehousing, inventory control, and delivery of products to customers or other locations.
- Production Planning: Coordination of materials and resources to ensure timely and cost-effective production.
- Contract Management: Negotiation, execution, and monitoring of supply-related agreements and contracts.
- Sustainability and Compliance: Ensuring that all supply chain activities align with legal, ethical, and environmental standards.

OBJECTIVE OF THE POLICY:

- 1.1 The desired outcome of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the OR Tambo Region whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
- (a) to stimulate and promote local economic development in a targeted and focused manner.
 - (b) to promote resource efficiency and reduce the negative impact of poverty through sound economic systems.
 - (c) to facilitate creation of employment and business opportunities for the people of region with reference to B-BBEE.
 - (d) to promote the competitiveness of local businesses.
 - (e) to increase the small business sector access, in general, to procurement business opportunities created by government.
 - (f) to implement alternative Procurement systems and processes, to enhance efficiency and service delivery.

1. APPLICABLE LEGISLATION

1.2 Relevant and Applicable Legislation (Standards, Acts, Policies, etc.)

1.2.1 This policy is to be read in conjunction with the other procurement related legislation including but not limited to the following: -

- a) Municipal Finance Management Act, 2003 (Act No. 56 of 2003); as it is amended
- b) Generally Recognised Accounting Practice.
- c) International Financial Reporting Standards.

84
H.T.

- d) International Accounting Standards.
- e) National Treasury Regulations.
- f) Preferential Procurement Policy framework act of 2000 as it is amended
- g) Public finance Management act (PMFA of act 1999) as it is amended
- h) Constitution of South Africa, 1996 (section 217) as it is amended
- i) Public Procurement Act 28 Of 2024 as it is amended.

DEFINITIONS

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

–

“Accounting officer”

- (a) in relation to a municipal entity, means the official of the entity referred to in section 60 of the Act; or
 - (b) in relation to a municipal entity, means the official of the entity referred to in section 93 of the Act,
- and includes a person acting as the accounting officer.

“Acceptable Bid” means any bid which, in all respects, complies with the specifications and bid conditions. Also referred to as a “Responsive Bid”.

“Adjudication points” refer to the combined points allocated for price and points allocated for specific goals, as outlined in the Preferential Procurement Regulations, 2022, and the Preferential Procurement section of this policy. These are also commonly referred to as “evaluation points”

“All applicable taxes” includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies

“Asset” means a tangible or intangible resource capable of ownership.

“Broad-Based Black Economic Empowerment Act” means the Broad- Based Black Economic Empowerment Act, 2003, (Act 53 of 2003) and Codes of Good Practice pertaining there

“B-BBEE” means broad-based black economic empowerment as defined in

SS

H.T.

section 1 of the Broad-Based Black Economic Empowerment Act, 2003, (Act 53 of 2003).

“B-BBEE status level of contributor” means the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; **“black designated groups”** has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; **“black people”** has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;

“EME” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.

“Proof of B-BBEE status level of contributor” means-

- (a) the B-BBEE status level certificate issued by an authorised body or person.
- (b) an affidavit as prescribed by the B-BBEE Codes of Good Practice; or any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act.

“QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.

“Competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy.

“Bid” means a written offer in a prescribed or stipulated form in response to an invitation by the Agency for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals.

Bidder” means any person submitting a competitive bid or a quotation.

“Conflict of interest” this involves a public servant acting or failing to act on a matter where the public servant has an interest or another person or entity that stands in a relationship with the public servant has an interest. *Example:* A public

88

H.T.

servant considers bidders for a contract and awards the bid to a company of which his/her partner is a member of.

“Constitution” refers to the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996).

“Delegation” is the process whereby a delegating authority authorises an agent or a delegated body to act on his behalf by transferring a set of rights to the agent for a specific period, and in relation to authority includes an instruction to exercise the duty, and *“delegate”* has a corresponding meaning.

“Final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept; **“formal written price quotation”** means quotations referred to in regulation 5(2).

“Formal written price quotation” means quotations referred to in paragraph 13 (1) (c) of this Policy.

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

- (a) a member of –
 - (i) any municipal entity BOD;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National BOD 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 provincial legislature.

“Contractor” means any person or entity whose competitive bid or quotation has been accepted by municipal entity.

“Contract” means the agreement, which is concluded when the municipal entity accepts, in writing, a competitive bid or quotation submitted by a supplier.

“Long term contract” means a contract with a duration period exceeding twelve months.

“List of accredited prospective providers” means the list of accredited prospective providers which PSJDA must keep in terms of paragraph 14 of this Policy.

“PSJDA” stands for Port St Johns Development Agency SOC Ltd which is a Municipal Entity established in terms of section 86H of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and section 84 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), by the Port St Johns Local Municipality which is a parent municipality.

“Other applicable legislation” means any other legislation applicable to municipal supply chain management, including –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000).
- (d) Preferential Procurement Regulations, 2022 (PPR 2022)
- (e) Public Finance Management Act (PFMA), Act 1 of 1999

“Service provider” means a person or institution or any combination of persons and institutions which provide a service.

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.

“The Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“The Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005.

“Written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy.

“Bid” means a written offer in a prescribed or stipulated form in response to an invitation by the Municipality entity for the provision of goods, services or

SH

H.T.

construction works through price quotations, advertised bidding processes or proposals.

“Bidder” means any person submitting a competitive bid or a quotation.

“Closing time” means the time and day specified in the bid documents for the receipt of bids.

“Delegated Authority” means any person or committee delegated with authority by the municipality in terms of the provisions of the Municipality Finance Management Act.

“Department” means a section within a specific directorate in terms of entity’s organogram.

“End user department” means a department which initiates the process of acquisition management and plays a very important role in the drafting of specification and will be responsible for the service level agreement. In most cases the end user will be a member of the bid specification committee.

“Firm price” is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy or tax which in terms of a law or regulation is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.

“Emergency” means emergency as referred to in paragraph 36(a)(i)

- (a) the conditions warranting Emergency should include the existence of one or more of the following:
 - (i) the possibility of human injury or death.
 - (ii) the prevalence of human suffering or deprivation of rights.
 - (iii) the possibility of damage to property or suffering and death of livestock and animals.
- (b) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipal entity.
- (c) the possibility that failure to take necessary action may result in the municipal entity not being able to render an essential community service; and

SS

H-J.

- (d) the possibility of serious damage occurring to the natural environment or outbreak.
- (e) the possibility that the security of the entity and/or its employees could be compromised.
- (f) the prevailing situation, eminent danger should be of such a scale and nature that it could not be readily alleviated by interim measures, to allow for the formal procurement process. Emergency shall not be granted in respect of circumstances other than those contemplated above.

“Petty Cash”, means a small amount of cash kept on hand for incidental purchases of low value goods and services (i.e. postage, office suppliers, reimbursement for out-of-pocket expenditures), which cannot be accommodated through other purchasing procedures. Petty cash may not be used for payroll payments, inventory, capital goods, entertainment expenses, travel expenses and other personal obligations.

“Single source”: refers to when competition exists in the market, but from a selected few suppliers due to technical capabilities and abilities complying with the requirements of the agency.

“Sole Supplier”: refers in instances where there is no competition and only one service provider exist in the market, with sole distribution rights and/or patent rights or manufacturer.

“Strip & quote”: When the repairs and maintenance on our machines, equipment or vehicles are done by one supplier and/or strip-and-quote, for example a municipal entity vehicle that needs repairs, the vehicle has to be delivered to a supplier that determines what repairs should be done.

“PPPFA regulations”, means Preferential Procurement Policy Regulations, 2017 Published in Government Gazette 40553 of 20 January 2017.

“PPPFA regulations”, means Preferential Procurement Policy Regulations, 2022 were gazette on the 4th of November 2022.

“PPPFA” means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and includes the regulations thereto.

“Privileged or confidential information” means any information:

86

H.T.

- (a) determined by the bid specification, evaluation or adjudication committee to be privileged or confidential.
- (b) discussed in close sessions by any of the bid committees.
- (c) disclosure of which would violate a person's right to privacy.
- (d) declared to be privileged, confidential or secret in terms of any legislative framework.

“Original equipment manufacturer (OEM)” means machinery or any equipment needing original parts for repairs and maintenance.

“Contingency” means the amount varying in accordance with the nature of the contract.

“Variation order” means unforeseen costs pertaining to uncertain circumstances that are part of projects.

Unsolicited Bid” means an offer submitted by any person at its own initiative without having been invited by the Entity to do so.

“Irregular expenditure” in relation to a municipal entity, means-

- (a) expenditure incurred by the municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170 thereof.
- (b) expenditure incurred by the 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 the municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the entity or any of the by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

“Unauthorized expenditure” in relation to the entity, means any expenditure incurred by the entity otherwise than in accordance with Section 99 of the MFMA.

- (a) Overspending of the total amount appropriated in the municipality's approved budget.
- (b) Overspending of the total amount appropriated for a vote in approved budget.

- (c) Expenditure from a vote unrelated to the department of functional area covered by the vote.
- (d) Expenditure of money is appropriate 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 condition of the allocation; or
- (f) A grant by the entity is rather than in accordance with the MFMA.

"Fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

1. PERIODIC REVIEWS AND APPLICABLE LEGISLATION

1.1 Periodic Review of this Policy

- 1.1.1 This policy shall be reviewed on a regular basis. Due to the dynamic and developing nature of local government, **twelve months** would be an acceptable review period for this policy

1.2 Relevant and Applicable Legislation (Standards, Acts, Policies, etc.)

- 1.2.2 This policy is to be read in conjunction with the other procurement related legislation including but not limited to the following: -

- j) Municipal Finance Management Act, 2003 (Act No. 56 of 2003); as it is amended
- k) Generally Recognised Accounting Practice.
- l) International Financial Reporting Standards.
- m) International Accounting Standards.
- n) National Treasury Regulations.
- o) Preferential Procurement Policy framework act of 2000 as it is amended
- p) Public finance Management act (PMFA of act 1999) as it is amended
- q) Constitution of South Africa, 1996 (section 217) as it is amended
- r) Public procurement act 28 Of 2024 as it is amended

CS

H.T.

2. IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Application of the policy

- 2.1** Port St Johns Development Agency must, apply this Policy, to the extent determined by the parent municipality, in a way that is consistent with the supply chain management policy of the parent municipality.
- 2.2** This Policy applies when Port St Johns Development Agency–
- (a) procures goods or services.
 - (b) disposal of goods no longer needed.
 - (c) selects contractors to aid in the provision of municipal entity services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
- 2.3** This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

3. SUPPLY CHAIN MANAGEMENT SYSTEM

3.1. Format of supply chain management system

This Policy provides for the following supply chain management systems –

- (a) demand management.
- (b) acquisition management.
- (c) logistics management.
- (d) disposal management.
- (e) risk management; and
- (f) performance management.

Part 1: Demand Management

System of demand management

- (3.1.1) The accounting officer must establish and implement an appropriate demand management system to ensure that the resources required by Port St Johns Development Agency support its operational commitments and its strategic goals outlined in the strategic plan.

88

HJ

(3.1.2) The demand management system must –

- (a) include timely planning and management processes to ensure that all goods and services required by PSJDA are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost.
- (b) consider any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
- (c) provide for the compilation of the required specifications to ensure that its needs are met.
- (d) to undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

(3.1.3) Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:

- (a) establishing requirements
- (b) determining needs (needs assessment); and
- (c) deciding on the appropriate procurement strategies.

(3.1.4) Demand management accordingly shall involve the following activities:

- (a) understanding the end users' future needs.
- (b) identifying critical delivery dates.
- (c) identifying the frequency of the need.
- (d) linking the required need to the budget.
- (e) conducting expenditure analysis based on past expenditure.
- (f) determining requirements (including the internal capacity of the Agency to implement).
- (g) conducting commodity analyses to check for alternatives.
- (h) conducting industry analysis.

(3.1.5.) Procurement plans regardless of the procurement ranges are crucial for the effective planning of resources and will be required from end user departments before the end of June every year.

CH

H.T.

Part 2: Acquisition Management

System of acquisition management

(3.2.1) The accounting officer must implement the system of acquisition management set out in this Part to ensure –

- (a) that goods and services are procured by PSJDA in accordance with authorised processes only incorporated herein.
- (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act.
- (c) that the threshold values for the different procurement processes are complied with.
- (d) the market is accessed, and a sourcing (procurement) strategy is determined, specification is compiled, bid documents are compiled, bids are advertised and solicited, responses are received, evaluated and assessed, and awarded by the accounting officer.
- (e) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
- (f) that any Treasury guidelines on acquisition management are properly considered.
- (g) that the SCM unit and bid committees will comply to the agreed turn-around times.
- (h) the turn-around times will be reviewed annually

(3.2.2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through PSJDA supply chain management system, including –

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

This acquisition management system contains the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts, and orders for the Agency.

CH

H.T.

Range of procurement processes

(3.2.3) Goods and services may only be procured by way of: –

- (a) Good or Services, up to a transaction value of R2 000 by one quotation (VAT included).
- (b) obtain at least three (3) written price quotations for procurements of a transaction value over R2 000 up R10 000 and R10 000 to R30 000(VAT included) service provider must be registered with CSD before an official purchase order is issued.
- (c) formal written price quotations for procurements of a transactions of value above R30 000 up to R300 000 (VAT included); must be advertised for at least 7 days on the Port St Johns Designated Notice Boards and Port St Johns Development Agency Website.
- (d) a competitive bidding process for: –
 - (i) procurements above a transaction value of above R300 000 (VAT included); and
 - (ii) the procurement of long-term contracts.

(3.2.4) The accounting officer may, in writing: -

- (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
- (b) direct that: –
 - (i) one written quotation be obtained for any specific procurement of a transaction value equal or lower than R2 000.
 - (ii) three written price quotations be obtained for any specific procurement of a transaction value R 2001 lower than R30 000; or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value more than R300 000.

(3.2.5) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy.

(3.2.6) 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.

SCM DELIGATION		
GOODS/SERVICE VALUE	PROCUREMENT METHOD MINIMUM	APPROVAL AUTHORITY
R0 – R2 000	One Quotation	Chief Executive Officer
R2 001 – R30 000	Three Quotations	Chief Executive Officer
R30 001 – R300 000	7 days Bulletin Notice and Advertisement via Website: Three Quotations	Chief Executive Officer
R300 001 – R50 Million	Competitive Bidding Process	Board of Directors
Above R50 Million	Competitive Bidding Process	Board of Directors

4. SPECIAL CONSIDERATIONS FOR PROCUREMENT OF CERTAIN GOODS AND SERVICES

4.1 Procurement of catering services

(4.1.1) The municipal Entity is situated in a rural area and seeks to empower and develop SMME's in the region. As a result, Port St Johns Development Agency has standardized the services provided by the catering companies and the rate charged for each meal per person.

(1) The standardized rates are as follows

- (a) Ordinary Lunch/Dinner with soft drink or juice at R120.00 per person
- (b) Breakfast Platter with Tea/coffee at R85.00 per person
- (c) VIP Lunch/Dinner with soft drink or juice at R140.00 per person
- (d) Lunch packages between R85
- (e) Mixed Platter each R 850.00 (Eight Hundred and fifty rands only)

(2) Catering service must be on rotational basis, Monitoring will be undertaken by the Supply Chain Management Unit by means of a consolidated register. The maximum number of people to be catered for per caterer in an event is 150 to ensure spread of opportunities to the service providers.

SH

H.T.

(3) Control measure: The caterer may not provide services exceeding three consecutive times within one financial year.

4.2 Procurement for Transportation Services

(4.2.1) Car hire, accommodation and conference facilities/venue hire are procured by means of a Travelling agent through Central Supplier Database.

(4.2.2) The municipal Entity runs programs and events often that require the use of external transport services which will be charged as follows

- a. Taxi will charge R2500 around Port St Johns.
- b. Lowest rate per KM outside Port St Johns

Where the quoted price is the same for all bidders, a bidder shall be selected on a rotation basis.

(4.2.3) Goods or services may not deliberately be split into parts or items of a less 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.

5. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR COMPETITIVE BIDS

A written quotation or bid may not be considered unless the service provider who submitted the quotation or competitive bid –

5.1 has furnished that providers –

- (i) full name.
- (ii) identification number or company or other registration number; and
- (iii) tax reference number and VAT registration number, if any.
- (iv) for transactions above R30,000 a valid tax clearance pin obtained from the South African Revenue Services must be provided so that the provider's tax matters can be verified via Sars filing to be in order; and

5.2 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.

SH

HT

- (ii) if the provider is not a natural person, whether any of its directors, 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
- (iv) is in the service of the state or has been in the service of the state in the previous twelve months.

6. LISTS OF ACCREDITED PROSPECTIVE PROVIDERS

6.1 The accounting officer must keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations.

6.2 Suppliers are sourced from the Central Suppliers Database who must meet the following criteria:

- (a) Name of the supplier/service provider.
- (b) Street address.
- (c) Postal address.
- (d) Contact person in Sales Department.
- (e) Sales Department's telephone number.
- (f) Sales Department's fax number.
- (g) Sales Department's cell number.
- (h) Sales Department's email address.
- (i) Contact people in Accounts Department.
- (j) Accounts Department's telephone number.
- (k) Accounts Departments fax number.
- (l) Accounts Departments email address.
- (m) Vat registration yes/no.
- (n) Vat registration number.
- (o) Bank details.
- (p) Type of industry.
- (q) Valid certification of specialised services.
- (r) Valid tax clearance certificate
- (s) CIDB registration if applicable
- (t) Valid certification in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor.

CSJ

H.T.

- (u) Relevant identification number of all members, directors and partners.
- (v) Disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

6.3 It is a requirement for all suppliers to be registered on the National Treasury Web Based Central Supplier Database (CSD).

6.4 Prospective service providers shall be required to submit CSD reports to ensure compliance with relevant legislation and laws governing the state.

7. PETTY CASH PURCHASES

For petty cash purchases these shall be in line with the petty cash policy.

8. WRITTEN QUOTATIONS

The conditions for the procurement of goods or services through written quotations are as follows:

- (a) At least three quotations must be obtained from CSD complaint suppliers
- (b) 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.
- (c) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.

9. PROCEDURES FOR PROCURING GOODS OR SERVICES THROUGH WRITTEN QUOTATIONS

The procedure for the procurement of goods or services through written or quotations is as follows:

- (a) when using CSD compliant suppliers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis.

SB

H.T.

- (b) all requirements more than R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of regulation 17, be advertised for at least seven (7) working days on the website and/or an official noticeboard of the PSJDA.
- (c) the accounting officer or chief financial officer must monthly be notified in writing of all written quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation:
 - (i) offers below R30 000 (VAT included) must be awarded based on compliance with specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price.
 - (ii) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points.
 - (iii) proper records documenting the processes must be kept by the delegated official.
 - (iv) Procurements without a single written quotation after 4 days will be automatically uploaded on the company website to attract a wider audience.

10. COMPETITIVE BIDS

10.1 Goods or services above a transaction value of R300 000 (VAT included) and long-term contracts may only be procured through a competitive bidding process, subject to regulation 11(2).

10.2 No requirement for goods or services above an estimated transaction value of R300 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services other than through a competitive bidding process.

10.3 Process for Competitive Bidding

The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as detailed in paragraph 21.
- (b) Public invitation of bids as detailed in paragraph 22.
- (c) Site meetings or briefing sessions as detailed in paragraph 22.
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23.

- (e) Evaluation of bids as detailed in paragraph 28.
- (f) Award of contracts as detailed in paragraph 29.
- (g) Administration of contracts.
- (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping –
- (i) Original/legal copies of written contracts agreements should be kept in a secure place for reference purposes.

10.4 Bid Documentation for Competitive Bids

The criteria to which bid documentation for a competitive bidding process must comply:

- (a) consider –
 - (i) the general conditions of contract and any special conditions of contract, if specified.
 - (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.
- (b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation.
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted.
- (d) 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 –
 - (aa) for the past three years; or
 - (bb) since their establishment was established during the past three years.
 - (ii) a certificate signed by the bidder certifies 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

88

H.T.

- material non-compliance 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 PSJDA is expected to be transferred out of the Republic; and
 - (e) stipulate that 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.

10.5 Public Invitation for Competitive Bids

(10.5.1) The procedure for the invitation of competitive bids is as follows:

- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of PSJDA or any other appropriate ways
- (b) The information contained in a public advertisement, must include –
 - (i) 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;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by PSJDA; and
 - (iii) date, time and venue of any proposed site meetings or briefing sessions, if applicable.

(10.5.2) 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.

(10.5.3) Bids submitted must be sealed.

(10.5.4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

88

H.T.

10.6 Procedure for Handling, Opening and Recording of Bids

The procedures for the handling, opening and recording of bids are as follows:

- (a) Bids –
 - (i) must be open only in public.
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired.
 - (iii) received after closing time should not be considered and returned unopened immediately.

- (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 bid price.

- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other people until the successful bidder is notified of the award; 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.

10.7 Negotiations with Preferred Bidders

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

- (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.

(10.7.2) Minutes of such negotiations must be kept for record purposes.

(10.7.3) The Entity will keep and maintain a register of contracts of the entity. As a measure of performance, the contracts and their performance will be presented at Extended Management Committee Meetings.

10.8 Three-Stage Bidding Process

(10.8.1) A Three-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 (3) three years.

(10.8.2) 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.

(10.8.3) In the second stage Evaluation committee technical proposals and priced bids should be invited.

(10.8.4) In the third stage the Adjudication committee verified evaluation processes and recommended it to the Accounting Officer.

10.9 Committee System for Competitive Bids

(10.9.1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:

- (a) a bid specification committee.
- (b) a bid evaluation committee; and
- (c) a bid adjudication committee.

(10.9.2) The accounting officer appoints the members of each committee, considering section 117 of the Act; and

(10.9.3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(10.9.4) The committee system must be consistent with –

- (a) regulations 27, 28 and 29 of this Policy; and
- (b) any other applicable legislation.

(10.9.5) The accounting officer may apply the committee system to formal written price quotations.

10.10 Bid Specification Committee

(10.10.1) A bid specification committee must compile the specifications for each procurement of goods or services by PSJDA.

(10.10.2) 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) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification.
- (e) may not refer to any trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”.
- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

(10.10.3) A bid specification committee must be composed of one or more officials of PSJDA, at least one SCM official and preferably the manager responsible or an official from the end user department for the function involved, and may, when appropriate, include external stakeholders or advisors.

(10.10.4) 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.

10.11 Bid Evaluation Committee

(10.11.1) A bid evaluation committee must be appointed annually by Accounting Officer and 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 27(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,
- (d) confirm whether in the employment of the state, and.
- (e) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(10.11.2) A 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 PSJDA.

10.12. Bid Adjudication Committee

(10.12.1) The Agency shall not be obliged to accept any bid.

(10.12.2) For goods and services bids, PSJDA shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.

(10.12.3) A bid adjudication committee must be appointed to write annually and 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 on how to proceed with the relevant procurement.
- (iii) A bid adjudication committee must consist of at least four senior managers of PSJDA which must include –
 - the chief financial officer or, if the chief financial officer is not available, another manager in the financial

88

H.T.

- reporting office reporting directly to the chief financial officer and designated by the chief financial officer; and
- at least one senior supply chain management practitioner who is an official of PSJDA; and
 - a technical expert in the relevant field who is an official, if such an expert exists.

(10.13.4) 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 over the meeting or the accounting officer may appoint a temporal chairperson.

(10.13.5) 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.

(10.13.6) (a) If the bid adjudication committee decides to recommend to the accounting officer a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to recommending the bid –

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

(b) The accounting officer may –

- (i) 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
- (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

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

(10.13.8) The accounting officer must comply with section 114 of the Act within 10 working days.

11. PROCUREMENT OF BANKING SERVICES

11.1 Subject to section 33 of the MFMA, any contract for the provision of banking services –

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

11.2 The process of procuring a contract for banking services must commence at least nine months before the end of an existing contract.

11.3 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 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

12. PROCUREMENT OF IT RELATED GOODS OR SERVICES

12.1 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.

12.2 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

12.3 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).

12.4 If SITA comments on the submission, and PSJDA disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the board of directors, the National Treasury, the relevant provincial treasury and the Auditor General.

88

7.

13. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

13.1 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.

13.2 Subparagraphs (1)(c) and (d) do not apply if –

- (a) PSJDA procures goods or services through a contract secured by its parent municipality; or
- (b) the parent municipality procures goods or services through a contract secured by PSJDA.

14. PROCUREMENTS OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

14.1 The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gases and fuel, should be avoided wherever possible.

14.2 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.

15. PROUDLY SA CAMPAIGN

PSJDA supports 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 Eastern Cape province.
- (c) Thirdly – suppliers and businesses within the Republic of South Africa.

SS

H.T.

16. APPOINTMENT OF CONSULTANTS

- 16.1** The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are considered when such procurements are made.
- 16.2** Consultancy services must be provided through competitive bids if
- (a) the value of the contract exceeds R300 000 (VAT included); or
 - (b) the duration period of the contract exceeds one year.
- 16.3** 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.
- 16.4** The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, system or process designed or devised, by a consultant during the consultancy service is vested in PSJDA.

17. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES

17.1 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.
- (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.

17.2 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 board of directors and include as a note to the annual financial statements.

17.3 Subparagraph (2) does not apply to the procurement of goods and services contemplated in regulation 11(2).

88

H J.

18. EXTENSION OF CONTRACTS

Request for extension of Contract must be considered by the Chief Executive Officer or the delegated authority as per MFMA Circular 62 which allows the Accounting Officer to effect variation of Contract of 20 % for Infrastructure related procurement from the Original Amount and 15% of other goods and service from the original amount.

Extension of Contract must be done in accordance with the provision of the contract itself.

The requirements of sec 33 and 116 of the MFMA.

The extension of contract does not amount to the provision of new goods or services, such that the purpose of this policy is defeated

The extension of contract must be finalised before the contract expires

Extension, Variations and Price Adjustments must be approved by the Board of directors at exclusion of requirements of Sec 33.

19. UNSOLICITED BIDS

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

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

- (a) the product or service offered in terms of the bid is a demonstrable 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) reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

19.3 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.

- 19.4** The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder to the National Treasury and the relevant provincial treasury for comment.
- 19.5** 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.
- 19.6** A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 19.7** When considering the matter, the adjudication committee must consider –
- (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- 19.8** 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.
- 19.9** Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing PSJDA to the bid may be entered into or signed within 30 days of the submission.

20. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

- 20.1** 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, favouritism, unfair or irregular practices or failure to comply with this 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 PSJDA, 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 PSJDA or any other organ of state after written notice was given to that bidder that performance was unsatisfactory.
 - (iii) who has been put on hold for having failed to supply to the Agency any goods/services for a period not less than 6 months.
- (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 PSJDA 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 wilfully 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 Bid Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

20.2 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.

21. LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

21.1 Logistics management

The accounting officer must establish and implement an effective system of logistics management, which must include –

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number.
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock.
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash.
- (d) 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.
- (e) appropriate standards of internal control and management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased.
regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (f) monitoring and review of the supply vendor's performance to ensure compliance with specifications and contract conditions for goods or services.

88

A.T.

21.2 Disposal management

The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, shall be compliance with the PSJDA asset management policy.

(21.2.1) Assets may be disposed of by –

- (a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets.
- (b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge.
- (c) selling the asset; or
- (d) destroying the asset.

(21.2.2) The accounting officer must ensure that –

- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous.
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee.
- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise.
- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.
- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

21.3. Risk management

The CEO must ensure that the Entity has and maintains an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM system.

Aspects of risk management must be allocated to the CFO, the SCM practitioners, the internal audit function and the Audit Committee, each of which shall ultimately

be accountable to the CEO or the Board of Directors for the discharge of their responsibilities.

21.3.1 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.

22. PERFORMANCE MANAGEMENT

The accounting officer must establish and implement an internal monitoring system to determine, based on a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

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

- (a) value for money has been attained.
- (b) proper processes have been followed.
- (c) desired objectives have been achieved.
- (d) there is an opportunity to improve the process.
- (e) suppliers have been assessed and what that assessment is; and
- (f) there has been deviation from procedures and, if so, what the reasons for that deviation are.

88

H.T.

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

- (a) achievement of goals.
- (b) compliance to norms and standards.
- (c) savings generated.
- (d) cost variances per item.
- (e) non-compliance with contractual conditions and requirements; and
the cost efficiency of the procurement process itself.

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

23.1 No award may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service (SARS) to be in order.

23.2 A valid tax clearance certificate from the South African Revenue Services stating that the bidders tax matters are in order and/or the bidder's SARS Tax Compliance Status PIN must be provided by the bidder for the Supply Chain Management Unit to verify whether the bidders tax matters are in order.

24. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state.
- (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 PSJDA.

88

H.T.

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

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2 000 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 Agency in which that person is in the service of the state; and
- (c) the amount of the award.

26. ETHICAL STANDARDS

26.1 A code of ethical standards as set out in subparagraph (2) is hereby established for officials and other role players in the supply chain management system of PSJDA 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.

26.2 An official or other role player involved in the implementation of this 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, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350.
- (d) notwithstanding subparagraph (2) (c), you must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person.
- (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, PSJDA.

- (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 PSJDA.
- (h) must assist the accounting officer in combating fraud, corruption, favouritism 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, favouritism or unfair conduct.
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.

26.3 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 board of directors of PSJDA who must ensure that such declarations are recorded in the register.

26.4 The National Treasury's code of conduct must also be considered by supply chain management practitioners and other role players involved in supply chain management.

26.5 A breach of the code of ethics must be dealt with as follows -

- (a) in the case of an employee, in terms of the disciplinary procedures of PSJDA envisaged in section 67(1)(h) of the Municipal Systems Act.
- (b) in the case of a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
- (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

88

H.T.

27. INDUCEMENTS, REWARDS, GIFTS AND FAVORS TO PSJDA, ITS OFFICIALS AND OTHER ROLE PLAYERS

27.1 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 PSJDA for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.

27.2 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.

28. SPONSORSHIPS

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

29. OBJECTIONS AND COMPLAINTS

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.

30. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

30.1 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 PSJDA 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 during 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.

30.2 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.

30.3 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.

30.4 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.

30.5 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.

30.6 This paragraph must not be read as affecting a person's rights to approach a court at any time.

31. CONTRACTS PROVIDING COMPENSATION BASED ON TURNOVER

If a service provider acts on behalf of PSJDA 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 PSJDA must stipulate –

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

32. DECLARATIONS

For establishing control measures to eliminate fraud and corruption:

- (a) A declaration schedule must form an integral part of all the entity's bid documentation
- (b) Bidders must be required to complete schedule as a prerequisite to submission of any bid
- (c) Employees of any of state will be required to complete the schedule as a prerequisite to bid

33. DECLARATIONS OF INTEREST BY OFFICIALS, SUPPLIERS, SERVICE PROVIDERS AND CONSULTANTS

To obtain the disclosure of any bid, the declaration of interest schedule must be completed prior to the award of Bid. The declaration of interest must be completed by the following persons:

- (a) All officials involved in the evaluation of a bid
- (b) All suppliers, services or consultants who are involved in the preparation of bid documentation and Bid reporting
- (c) Any other person who played a role in the preparation, specification, evaluation and approval of a bid and who has an interest in the award thereof

88

H.T.

- (d) Any member who has declare conflict of interest during the Evaluation or Adjudication of bids must excuse him or herself from the processes of the three (3) committees.

34. CONTRACT MANAGEMENT

34.1 Legal sound written contracts or service level agreements

- (a) Accounting officers must ensure that all written contracts or service level agreements that are entered into by their respective institutions are legally sound. This measure is aimed at avoiding potential litigation and minimizing possible fraud and corruption.
- (b) Such contracts or agreements must be actively managed to ensure that both parties (the municipality or municipal entity and the contractors) meet their respective obligations.
- (c) The accounting officer must develop and implement mechanism to effectively manage important aspects relating to contracts awarded through the supply chain management system of Board of Directors.
- (d) The entity cannot operate at all without entering into a contract / SLA on a regular basis and the obligation and rights created by the conclusion of these contracts should be managed to protect the interest of both the Entity and other contracting parties.

34.2 THE CONCEPT OF CONTRACT MANAGEMENT

Contract management consists of the process that enable the entity, as a party to a contract, to protect its own interest and to ensure that it complies with its duties, as agreed upon in the contract. Non –performance of these will compromise the entity legal position and will have a detrimental impact on the effectiveness of the Entity, with related financial losses.

(34.2.1) *Centralised registered point*

All contracts must be recorded in a register. The contract register should preferably contain the following information:

- (a) Name of party
- (b) Type of contract
- (c) Date concluded
- (d) Contract amount
- (e) Expiration date
- (f) Service provider performance monitoring status

The contract register must be kept electronically; all new contracts entered into must immediately be recorded in the register.

(34.2.2) *Termination /Expiry of Contract*

The following action is required when a contract is terminated:

- The municipal entity must ensure that it notifies the other contracting party in writing of the imminent expiry of the contract or due to a breach of contract e.g. non-performance of the suppliers.

(34.2.3) *Variation order*

Process for (VO) Approved by Accounting officer:

- (a) Project Manager must prepare a report reflecting comprehensive detail for the VO.
- (b) All VO must be approved by the Accounting Officer in accordance with MFMA Circular 62 and MFMA Sec 116

88

H.T.

35. BIDDER COMPETENCE

35.1. Where competence is utilized as an evaluation criterion, tender documents, bid specifications or terms of reference must clearly specify:

- (a) the evaluation criteria for measuring bidder competence which criteria must be objective and measurable.
- (b) the evidence required to determine the bidder's competence.
- (c) the fact that no bid will be regarded as an acceptable bid if full compliance with the required bidder's competence is not met as indicated in the bid specification or terms of reference concerned; and
- (d) that bids or bidders that are compliant with the bidder's competence will be evaluated further in terms of the preference point systems referred to in subparagraphs 35b and 35c below and any objective criteria envisaged in regulation.

35.2. The required bidder's competence for a tender to be considered further:

- (a) must be determined separately for each tender; and
- (b) may not be so low that it may jeopardise the quality of the required goods or services; or
- (c) high that it is unreasonably restrictive.

36. IDENTIFICATION OF PREFERENCE POINTS SYSTEM

36.1 The municipal Entity must, in the tender documents, stipulate—

- (a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7 of the Preferential Procurement Regulations 2022.
- (b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

36.2 If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—

- (a) An invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system: or
- (b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

88

H.T.

37. NEW AMENDMENTS PPPFA 2022

PURPOSE

New regulations PPR 2022 were gazetted on the 4th of November 2022 with the following changes. In Supply Chain Management (SCM) and procurement, the term "specific goals" refers to objectives that government wants to achieve through procurement, beyond just buying goods and services. They are linked to transformation, empowerment, and socio-economic development. For example, under the Preferential Procurement Regulations, 2022, specific goals may include:

- Promoting youth-owned businesses
- Supporting women-owned enterprises
- Encouraging participation of people with disabilities
- Supporting SMEs (small, medium, and micro enterprises)
- Promoting local production and content
- Supporting businesses from rural or township areas
- In short: Specific goals are measurable transformation and development objectives that government sets in a tender to make sure procurement benefits not only the state but also disadvantaged groups and communities
- Local content and production (no longer a disqualifying requirement, bidders are encouraged to source goods locally)
- Specific goals to be determined in the Specification for each project prior to advertising from the following goals
- The Port St Johns Development Agency will only issue two Specific Goals per Bid.

88

H.T.

SPECIFIC GOAL	POINTS (90/10)	POINTS (80/20)
Disabled	5	10
Women	5	10
Local SMMES	5	10
Youth	5	10
Local Cooperatives	5	10

N/B A maximum of two specific goals per bid should be indicated in the specification report. Points to be awarded to a bidder upon submitting proof of attainment of specific goals.

38. POLICY REVIEW

This policy will be reviewed annually from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect substantial organizational changes at the Entity or any change required by law.

39. APPROVAL AND SIGNATURES

Chief Executive Officer


Signature

19 January 2026
Date

Board Chairperson


Signature

19/01/2026
Date