

# **LEPHALALE LOCAL MUNICIPALITY**



## **SUPPLY CHAIN MANAGEMENT POLICY**

# LEPHALALE LOCAL MUNICIPALITY

## SUPPLY CHAIN MANAGEMENT POLICY

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## SUPPLY CHAIN MANAGEMENT POLICY

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# LEPHALALE LOCAL MUNICIPALITY

## SUPPLY CHAIN MANAGEMENT POLICY

### PART 1

#### OBJECTIVE

To provide a policy framework to maintain a supply chain management system which is transparent, efficient, equitable, competitive, ensures best value for money for the municipality, applies the highest possible ethical standards, and promotes local economic development, in terms of section 62 (1) (f) (iv) of the Municipal Finance Management Act, Act 56 of 2003.

By adopting this policy the council are delegating supply chain management powers and duties to the accounting officer in order to enable the accounting officer to :

- maximize administrative and operational efficiency in the implementation of the supply chain management policy;
- enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and
- comply with his/her responsibilities in terms of section 115 and other applicable provisions of the Act.

Further pledges itself and the municipal administration to the observance of all applicable national legislation, including specifically the:

- Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;
- Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act;
- Municipal Finance Management Act No. 56 of 2003; including the regulations relating to the prescribed framework for supply chain management.

The municipality shall not act otherwise than in accordance to this policy when :

- Procuring goods or services;
- Disposing of goods no longer needed

## PART 2

### PROCUREMENT MANAGEMENT

All requests for the procurement of goods and services shall be submitted by the heads of departments concerned, to the Procurement Unit within the Finance department, in which office, the responsibility of the procurement procedures shall be centralized.

All requests shall be in writing, according to the official order-book system of the municipality, of which it shall clearly specify the nature and, where applicable, quantity or duration, as the case may be, of the goods and services required.

It shall avoid the use of brand names and further avoid the preparation of specifications aimed at procuring goods or services provided by only specific suppliers, shall bear the certification by the official responsible for financial management in the department concerned that there is sufficient provision in the current annual budget of the department for the envisaged expenditure or – in the case of procurement requirements extending over more than one financial year – that provision has also been included in the draft annual budgets for the ensuing financial year(s). It shall also be signed by the head of department concerned or by a senior official in the department designated by the head of department for this purpose. Refer also to annexure “A” for procedures to follow when committing an expense.

Notwithstanding any of the requirements set out below, the municipality shall not be obliged to accept any quotation or tender received.

#### 2.1 Quotations

The Chief Financial Officer shall manage procurement requisitions for amounts estimated not to exceed R200 000,00 (one hundred and twenty thousand rand) excluding VAT by calling for quotations.

The following principles shall be followed to commit an expenditure :

LIMITS	AUTHORIZATION	
Up to R 10 000,00 (One written quotation)	Recommended by :	Departmental Manager or delegated Divisional head;
	Checked by :	Divisional Head Expenditure
	Approved by :	Chief Financial Officer
Between R 10 000,01 and R 30 000,00 (Two written quotations)	Recommended by :	Departmental Manager or delegated Divisional head;
	Checked by :	Divisional Head Expenditure
	Approved by :	Chief Financial Officer
Between R 30 000,01 and R 199 999,99 (Three written quotations)	Recommended by :	Departmental Manager or delegated Divisional head;
	Checked by :	Div Head Expenditure
	Approved by :	Chief Financial Officer

- c. **For a quotation to be considered, it must :**
- i. be in writing,
  - ii. be signed by a person with the necessary authority to act on behalf of the prospective supplier,
  - iii. if the quantity of quotations cannot be obtained as required above, a written motivation from the head of the department must accompany the order,
  - iv. the quotations must be from the list of accredited prospective suppliers,
  - v. quotations may be obtained from suppliers that are not listed, only when no suitable provider for the required commodity or type of service are available from the list.
  - vi. the departmental manager must certify that the supplier possesses the skills and resources to execute the bid properly.
- d. **Specifications of orders :** Orders has to be completed in full detail of which the following are important:

Name and address of supplier;  
 The date on which the order was placed;  
 The expected date of delivery;  
 The expenditure vote number;  
 A certificate of the Departmental Manager to indicate that sufficient provision has been made within the budget;  
 The signature of the person requested the order ;  
 the person authorized to sign the order on behalf of the Departmental Manager and the authorization signature of the officials as indicated above;  
 The date on which the order was authorized;  
 Motivation for items to be purchased;  
 The quotations shall be attached to the blue copy of the order.

In the case of expenditure lower than R 30 000,00 (thirty thousand rand), the lowest quotation substantially to specification shall be accepted, taking into account the municipality's preferential procurement requirements, provided the Chief Financial Officer is satisfied that it offers acceptable value for money for the municipality.

In the case of expenditure higher than R30 000,00 (thirty thousand rand), each quotation received shall be evaluated in terms of specifications and the preference point scoring system in terms of this policy.

## 2.2 Tenders

The Chief Financial Officer shall manage procurement requisitions for amounts estimated to be in excess of R200 000,00 (two hundred thousand rand) excluding VAT by calling for tenders. The request for such tenders shall be prepared by the Procurement Unit, shall prominently be displayed on all of the municipality's notice boards, and shall additionally be advertised in the local newspapers, or at least in one national newspaper of repute. Notices calling for tenders shall indicate the closing date and time for the submission of tenders, and such closing date shall be at least 14 (fourteen) calendar days after the date on which the call for tenders is first displayed or advertised, whichever date is the later. These notices shall be approved by the accounting officer before the publication thereof.

For a tender to be considered it must comply with all the requirements indicated for quotations under part 2.1 above, except that a tender must be placed in the tender box provided for this purpose, the location of which shall be clearly specified in the relevant notice calling for tenders.

The Chief Financial Officer shall ensure that such tender boxes are sealed until the date and time of their official opening, and that they are properly secured at all times.

Where the relevant notice specifies that prospective bidder must complete certain documentation which must be obtained from the municipality, failure to complete such documentation shall render the tender invalid.

A deposit, as determined from time to time by the council, is payable for all tenders with an expected value equal or more than R 200 000,00 (two hundred thousand rand) in order to obtain such documentation. In the case of deposits, the amount concerned shall be refundable to the bidder within 7 (seven) working days after the tenders have been opened.

From time to time, invitations for forthcoming tenders or quotations may specify initial attendance by prospective suppliers at briefing meetings or site inspections or may require only an initial expression of interest from prospective suppliers indicating their expertise and/or other credentials in respect of the provision of the required goods or services. In such instances, the municipality reserves the right to limit subsequent invitations for the actual tenders or quotations to suppliers who have attended such meetings or inspections or who have provided reasonable evidence of the expertise or credentials required.

Each tender received shall be evaluated in terms of the tender specifications and the preference point scoring system in terms of this policy. Each bidder's track record has to be verified and if it has the ability / capacity to render the service or product as well as to be able to render an after-sale-service. The tender documents for each bidder have to be checked, whether –

- \* a valid VAT clearance certificate issued by SARS has been submitted (if applicable);
- \* it is completed and signed;
- \* it is accompanied by a declaration from the supplier that there are no conflict of interest in the specific transaction and that he / she are committed to the conditions as stipulated in the Supply Chain Management Policy of this council;
- \* an acknowledgement that disputes be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law, is attached.

Tenders must be submitted to the municipality in a sealed envelope, clearly indicating the purpose of the tender as well as an allocated tender number. Refer also to annexure "F" and "G" for procedures to follow regarding the handling of tenders and public auctions.

The Accounting Officer can negotiate the final terms of a contract with bidders identified through a tender process as a preferred bidder, provided that such negotiation-

- \* does not allow any preferred bidder a second or unfair opportunity;
- \* is not to the detriment of any other bidder, and
- \* be minuted and kept on record.

### 2.3 Use of Database of Suppliers

The SCM Unit shall at least annually, by notice and advertisement as for quotations and tenders under parts 2.1 and 2.2, request prospective suppliers, either generally or for specified ranges of goods and services, to submit their names, profile of the business and other relevant details to the SCM Unit for inclusion in a database of suppliers. Such details shall include an indication of the goods and services normally provided.

The SCM Unit shall then, in addition to the communication processes specified under part 2.1 and 2.2, forward – either electronically or by facsimile – copies of any notices of quotations and tenders to the relevant suppliers. However, failure by the procurement section to forward such notices or the non-receipt of such notices by any supplier shall not invalidate the procurement process. The onus remains on the prospective suppliers to apprise themselves of the municipality’s requirements as indicated in the prescribed communication processes set out under parts 2.1 and 2.2, and the additional notification by virtue of the supplier’s being included in the database of suppliers shall be viewed simply as a courtesy on the part of the municipality.

The inclusion of any supplier in the database of suppliers by no means obviates the need for such supplier to respond in the prescribed manner to notices of the municipality’s procurement requirements. Refer also to annexure “B” for procedures to compile a database for suppliers.

### 2.4 Assistance to Prospective Suppliers.

To ensure the equitable treatment of prospective suppliers who do not have the educational skills to complete the required documentation in response to notices calling for tenders, the Chief Financial Officer shall designate an official to provide assistance during normal office hours to such suppliers. The availability of such assistance shall be indicated in the relevant notices.

### 2.5 Guarantees and retentions

In the case of tenders for the undertaking of works on behalf of the municipality and with a value equal to or exceeding R500 000,00 (five hundred thousand rand), the successful bidder must lodge with the Chief Financial Officer a guarantee, issued by one of the recognized banking institutions in South Africa, for a sum equal to 60% (sixty per cent) of the agreed or estimated tender price. Such guarantee shall be lodged within one calendar month from the date on which the tender is awarded, and shall thereafter be managed in terms of the contract entered into between the municipality and the successful bidder.

In the case of tenders where a performance guarantee as envisaged above is not required, the Chief Financial Officer shall withhold payment of an amount equal to 10% (ten per cent) of the value of the actual goods or service supplied by the appointed contractor

until the Chief Financial Officer is satisfied that the contract has been satisfactorily executed.

## 2.6 Approving payments

Payment advises must in all instances be approved for payment by the Chief Financial Officer, or the delegated employee.

Cheques will be issued after the payment advises be approved for payment by the Chief Financial Officer or the delegated employee as mentioned above.

Cheques must in all instances be authorised by two employees with cheque signing powers. Cheques to be signed by the following parties:

- **Level one**  
The Accounting Officer shall always have signing powers on this level. The Chief Financial Officer however, shall have delegated powers, and in the absence of the Chief Financial Officer, any other official, delegated in writing by the Accounting Officer, to be the employees responsible for the authorisation of all cheques.
- **Level two**  
The Divisional Heads (in sequence of priority): Financial Expenditure; Income and Reporting should be the only second signatory on the cheques.

Payments will only be done on originals of external substantiating documentation. Substantiating documentation should, as far possible, consist of the following:

- Authorised payment advise,
- Supplier monthly statement,
- Certified original invoice,
- Goods received note in respect of. store purchases,
- Second copy of the order issued,
- Original approved purchase requisition,
- Original quotations according to the Municipality's Supply Chain Management policy.

Invoices must in all instances be certified for payment and as proof that goods or services were received by the relevant heads of department or the delegated employees that requested the goods or service.

All purchases and other expenses must be recorded in the Council's financial system on a timeous basis. Refer also to annexure "C" for procedures to prepare payments for creditors.

Transactions are recorded accurately and only valid transactions are recorded.

Amounts recorded in the Council's financial system agree to original substantiating documentation.

Expenses and liabilities are recorded in the Council's financial system within the correct financial periods.



- \* it has the ability / capacity to render the service or product as well as to be able to render an after-sale-service;
- \* all the tender documentation are completed and signed;

Submit a report to the Adjudication Committee with the findings regarding the tenders received.

Members : Chief Financial Officer(Chairperson);  
 Official from the Procurement unit (Secretariat);  
 Head of relevant department;  
 Divisional Head of relevant division;  
 An external specialist (when/if appropriate; in an advisory capacity).

#### 4.3 Tender Adjudication Committee :

Responsibilities : Must consider the report on the findings of the Tender Evaluation Committee;  
 Make a decision regarding the awarding of the tender;  
 Report to Council for information on the awarding and implementation of the tender.

Members : Accounting Officer (Chairperson)  
 Official from the Procurement unit (Secretariat)  
 Chief Financial Officer;  
 Head of relevant department;  
 An external specialist (when appropriate- and in an advisory capacity);

4.4 The Official from the SCM unit as well as the external specialist does not have voting powers in the above committees.

4.5 The accounting officer has to delegate in writing to another official if one of the committee members, mentioned above, are not able to attend one of the pre-scheduled committee meetings.

4.6 A member of a committee must at least two days in advance inform the Accounting Officer if he / she cannot attend one of the committee meetings.

## PART 5

### POINT SCORING SYSTEM

#### 5.1 Preference point system for the procurement of goods and services

Only the tender with the highest number of points scored shall be selected, under the following conditions :

5.1.1 For all tenders and quotations with an estimated or averaged value between R 30 000,00 (thirty thousand rand) and R 500 000,00 (five hundred thousand rand) excluding VAT, reference points will be allocated as follows:

**POINTS**

Points scored for price	80
Equity ownership status	<u>20</u>
<b>Total</b>	<b>100</b>

The points for price scoring will be determined as follows:

$$Ps = 80 (1 - ((Pt - P \text{ min}) / P \text{ min}))$$

Where :

Ps	=	Points scored for price of tender under consideration
Pt	=	Rand value of tender under consideration
Pmin	=	Rand value of lowest acceptable tender

Maximum points are awarded in terms of equity ownership as follows :

PDI's :	6
Women :	5
Youth :	3
Disabled :	3
Locally based company :	<u>3</u>
<b>Total</b>	<b>20</b>

The status of equity ownership, for each of the above, shall be calculated in terms of the following formula :

$$NEP = NOP \times EP$$

Where :

NEP	=	Points awarded for equity ownership
NOP	=	Maximum number of points awarded for equity ownership
EP	=	Percentage of equity ownership within the enterprise or business.

- 5.1.2 For all tenders with an estimated or averaged value above R500 000,00 (five hundred thousand rand) excluding VAT, preference points will be allocated as follows:

	<b>POINTS</b>
Points scored for price	90
Equity ownership status	<u>10</u>
<b>Total</b>	<b>100</b>

The points for price scoring will be determined as follows:

$$Ps = 90 (1 - ((Pt - P \text{ min}) / P \text{ min}))$$

Where :

Ps	=	Points scored for price of tender under consideration
Pt	=	Rand value of tender under consideration
Pmin	=	Rand value of lowest acceptable tender

Maximum points are awarded in terms of equity ownership as follows :

PDI's :	4
Women :	3
Youth :	1
Disabled :	1
Locally based company :	<u>1</u>
<b>Total</b>	<b>10</b>

The status of equity ownership, for each of the above, shall be calculated in terms of the following formula :

$$NEP = NOP \times EP$$

Where :

NEP	=	Points awarded for equity ownership
NOP	=	Maximum number of points awarded for equity ownership
EP	=	Percentage of equity ownership within the enterprise or business.

## 5.2 Preference point system for the sale and letting of assets and services

5.2.1 For all tenders and quotations with an estimated or averaged value between R 30 000,00 (thirty thousand rand) and R 500 000,00 (five hundred thousand rand) excluding VAT, preference points will be allocated as follows:

	<b>POINTS</b>
Points scored for price	80
Equity ownership status	<u>20</u>
<b>Total</b>	<b>100</b>

The points for price scoring will be determined as follows:

$$Ps = 80 (1 + (Pt - Ph) / Ph)$$

Where :

Ps	=	Points scored for price of tender under consideration
Pt	=	Rand value of tender under consideration
Ph	=	Rand value of highest acceptable tender

Maximum points are awarded in terms of equity ownership as follows :

PDI's :	6
Women :	5
Youth :	3
Disabled :	3
Locally based company :	<u>3</u>
<b>Total</b>	<b>20</b>

The status of equity ownership, for each of the above, shall be calculated in terms of the following formula :

$$NEP = NOP \times EP$$

Where :

NEP	=	Points awarded for equity ownership
NOP	=	Maximum number of points awarded for equity ownership
EP	=	Percentage of equity ownership within the enterprise or business.

- 5.2.2 For all tenders with an estimated value above R500 000,00 (five hundred thousand rand) excluding VAT, preference points will be allocated as follows:

	<b>POINTS</b>
Points scored for price	90
Equity ownership status	<u>10</u>
<b>Total</b>	<b>100</b>

The points for price scoring will be determined as follows:

$$Ps = 90 (1 + (Pt - Ph) / Ph)$$

Where :

Ps	=	Points scored for price of tender under consideration
Pt	=	Rand value of tender under consideration
Ph	=	Rand value of highest acceptable tender

Maximum points are awarded in terms of equity ownership as follows :

PDI's :	4
Women :	3
Youth :	1
Disabled :	1
Locally based company :	<u>1</u>
<b>Total</b>	<b>10</b>

The status of equity ownership, for each of the above, shall be calculated in terms of the following formula :

$$\text{NEP} = \text{NOP} \times \text{EP}$$

Where :

NEP	=	Points awarded for equity ownership
NOP	=	Maximum number of points awarded for equity ownership
EP	=	Percentage of equity ownership within the enterprise or business.

## **PART 6**

### **UNSOLICITED BIDS AND DISPENSING WITH THE OFFICIAL PROCUREMENT PROCESSES**

The Accounting Officer shall not consider unsolicited bids. The Accounting Officer is however allowed to dispense with the official procurement processes established by this policy, only in the following circumstances :

- in an emergency;
- if such goods or services are produced or available from a single supplier; or
- for any other reason that it's motivation is properly recorded and reported to council before such procurement process is started..

An emergency shall be considered as an unforeseeable and sudden event, with materially harmful or potentially materially harmful consequences for the municipality, and which requires urgent action to address.

In cases where the accounting officer determines that an emergency has arisen, he may also direct that the periods for advertising tenders, as stipulated in part 2.2 above, be curtailed to the extent that he / she deems appropriate.

## **PART 7**

### **PROHIBITED ACTIONS**

No head of department in placing a requisition for goods or services to be procured by quotation or tender shall knowingly understate the requirements or the estimated value of the requirements with the intention of avoiding the more stringent process prescribed for requirements of a higher value.

The Accounting Officer shall promptly institute disciplinary action against any head of department suspected of infringing this requirement.

No councillor or official shall engage in any contract with a prospective supplier in respect of any quotation or tender which such supplier intends to submit with the purpose of influencing any aspect of such quotation or tender.

The Accounting Officer must investigate any allegations of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the Supply Chain Management Policy and to take the appropriate steps, including to report the misconduct to the South African Police.

## **PART 8**

### **APPEALS**

Suppliers who are dissatisfied with the decision of the municipality in regard to any quotation or tender may appeal in writing to the Accounting Officer, provided such appeal is lodged with him / her as follows:

- for quotations, within 7 (seven) calendar days of the date on which the quotation was approved.
- for tenders, within 14 (fourteen) calendar days of the date on which the tender was approved.

The Accounting Officer shall provide written acknowledgement of the receipt of such appeals to the appellant concerned and shall refer it to the Adjudication Committee for consideration. This appeal shall be dealt within 7 (seven) calendar days of their receipt. Where this is not possible, the Accounting Officer shall promptly advise the appellant in writing of the reasons for the delay.

If the appeal is based on a technically complex matter, the accounting officer may investigate the matter to provide an opinion on the appeal, provided that sufficient budget provision exists for the expenditure to be incurred, and provided further that the Accounting Officer shall not be bound by any such opinion provided.

The Accounting Officer shall immediately after a ruling on an appeal has been made, advise the appellant in writing of such ruling.

If the appellant is dissatisfied with the Accounting Officer's ruling on an appeal in regard to a tender, the Accounting Officer may advise the appellant to refer such appeal for further legal action. Such request must be lodged in writing with the Accounting Officer within 14 (fourteen) calendar days of the date on which the ruling was made.

The Accounting Officer shall decide whether the lodging of an appeal constitutes sufficient grounds for the municipality to delay, where possible, the procurement of the relevant goods or services in terms of the approved quotation or tender against which the appeal is lodged. If such delay is decided upon, the Accounting Officer shall immediately advise the approved supplier, in writing, of such delay.

## **PART 9**

### **PAYMENT AND INVOICING**

All invoices for goods and services received by the municipality or works executed on behalf of the municipality shall be paid on a 30 (thirty) day term, effective from date of invoice or date of delivery, whichever is the latest.

The Accounting Officer, acting in consultation with the Chief Financial Officer, may, however, if satisfied that financial hardship may otherwise be suffered by a supplier, direct that such supplier's invoice be paid by means of a special earlier payment.

All invoices pertaining to contracts managed by departments shall be certified as in order for payment by the head of department concerned before being submitted to the expenditure division for processing.

**PART 10****STORES (MATERIALS) MANAGEMENT**

All goods procured by the municipality shall be delivered to and receipted by the stores section. The procedures and charges for requisitioning goods from stores shall be done in terms of the budget control measures determined by council.

Stock levels shall be determined by the Chief Financial Officer, and where applicable in consultation with the head of department concerned. Refer also to annexure D for procedures to request items from the stores.

**PART 11****PETTY CASH**

The objective approving expenditure through a petty cash system, is to fund small emergency expenses without going through the whole process of obtaining cheques. This does not at all allow a deviation from the processes as set out in Part 2 of this policy.

- a. Payments from the petty cash is limited to R 200,00 per payment.
- b. The balance of the petty cash on hand is limited to R 5000,00.
- c. Payments from the petty cash should be substantiated by original external documentation.

All expenses should be certified by the relevant head of departments and be approved by the Divisional Head Expenditure.

All payments should be captured into a petty cash register on a bi - weekly basis. This register should be reconciled with the cash on hand and the information should be captured to the financial system on a bi - weekly basis, or as soon as cash funds are exhausted

The petty cash register should be verified for correctness by the Divisional Head Expenditure on a weekly basis. The register will be signed as proof of the verifying function performed.

Substantiating documentation to payments from the petty cash should be marked as processed the moment that cash is paid out or when an invoice is submitted.

The petty cash box should at all times be kept in a fire proof lockable safe when not under control of the employee responsible for the petty cash.

The Divisional Head Expenditure or the delegated employee should conduct regular surprise cash counts whereby cash on hand is reconciled to substantiating documentation and the petty cash register. Surpluses as well as shortages should be paid in by the person responsible for the petty cash. The person conducting the cash count should sign the register as proof of the functions performed.

The Divisional Head Expenditure or the delegated employee should ensure that the balance of the petty cash register reconciles to the petty cash general ledger account at the end of each financial year. Refer also to annexure E for procedures to follow to control petty cash payments.

# LEPHALALE LOCAL MUNICIPALITY

## SUPPLY CHAIN MANAGEMENT PROCEDURES

### PROCEDURES TO COMMIT AN EXPENCE

#### 1. Expenditure under R 30 000,00 for which quotations are needed

##### **Heads of Department**

- a. Identify the need for procuring goods or services
- b. Determine the specifications of the items/ services needed.
- c. Ensure that the correct line-item number be used for the specific commitment and shall ensure that sufficient funds are available in terms of an approved operating budget, for such a commitment.
- d. Obtain quotations, according to the Municipalities Supply Chain Management policy, for goods / services required from the authorised suppliers list. Should purchases take place from any other supplier than the listed ones, should a detailed narrative explanation be given why another supplier is used.

##### **Procurement Office**

- a. Prepare a detailed pre-numbered requisition in two fold. Attach all acquired quotations to the completed requisition.
- b. Certify the requisition and sent the original requisition (yellow) to the SCM Unit.
- c. The Unit will supply a order as follows the fist page (white) second (blue) and third (pink) and the last copy (white) stays in the book.
- d. The first page original is submitted to the supplier the blue copy to data section and the pink copy to the creditors section.
- e. Certify the supplier's invoice for payment once items / services required was received as ordered and ensure that the invoice be delivered to the Creditors section.

##### **Divisional Head Expenditure**

- a. Is responsible to check the commitment in terms of all the requirements of the Supply Chain Management Policy as well as in terms of the approved cash-flow budget.
- b. Ensure that items requested via an order are not currently on hand at the Municipal stores.

- c. Ensure that creditor payments must be done on a monthly basis and only after proper reconciliations were performed by the creditors clerk. The only deviation from this procedure will be where the Municipality will gain a discount on the expense value, should the payment be received by the creditor before a certain date.
- d. Ensure that the creditors control account is reconciled to the creditor's ledger on a monthly basis.
- e. Follow up outstanding orders older than 30 days.

**2. Expenditure above R 30 000,00 for which quotations are needed**

- a. The same procedures have to be followed as in "1" above. In addition, the Procurement Office has to apply the point scoring system for quotations received.
- b. The report on the points scored, must accompany the order to obtain all other necessary signatories for approval.

**3. Expenditure above R 200 000,00 for which tenders are needed**

**Heads of Department**

- a. Identify the need for procuring goods or services;
- b. Prepare a requisition for acquiring the goods or service and submit it to the SCM Unit.

**Procurement Office**

- a. Call for a tender specification; evaluation and adjudication committee meeting to execute it's duties as mentioned in the supply chain management policy;
- b. Ensure that the advertisement as determined by the specification committee are placed, and also handled in terms of the procedures stipulated in annexure "F" regarding the "Handling of Tenders";
- c. After a tender had been awarded, the same procedure as mentioned in "1" above regarding the completion of an order will be applicable.

# LEPHALALE LOCAL MUNICIPALITY

## SUPPLY CHAIN MANAGEMENT PROCEDURES

### PROCEDURES TO COMPILE A DATABASE FOR SUPPLIERS

1. The Procurement Officer, in consultation with the Communication Officer, shall annually, before 30 April of each year place an advertisement in the local, as well as two recognized national newspapers an invitation for all suppliers to submit information in order to update the database for suppliers.
2. This advertisement must run for at least two consecutive weeks, (one advertisement per week) in the newspapers, with a closing date not exceeding 14 days.
3. The Procurement Officer should compile a list of those suppliers reacted on the advertisement. The Chief Financial Officer should approve, and Unit must also verify the following information on this list:
  - Supplier's name, contact numbers and address,
  - Contact person at the supplier,
  - Nature and extent of the products that can be supplied by the supplier,
  - Profile of the business with specific reference to owner equity.
4. Factors that the Unit should consider during the compiling of the suppliers list are the following:
  - The availability of alternative suppliers or products,
  - Capacity to meet demands,
  - Term of sale / purchases,
  - Competitiveness of prices,
  - Delivery period,
  - After sales service,
  - Technical capability to meet standards.
5. The Procurement Office should calculate in terms of the Preference Point Scoring System, the points scored for Equity Ownership for each of the suppliers on the approved list.
6. The points calculated shall be checked by the Divisional Head Expenditure and shall be kept as an official document to be used to procure goods and services above R 30 000,00 from suppliers.

**LEPHALALE LOCAL MUNICIPALITY**

**SUPPLY CHAIN MANAGEMENT PROCEDURES**

**PROCEDURES TO PREPARE PAYMENTS TO CREDITORS**

**Cheque payments**

**Creditors Clerk**

- a. Receive the third (pink) copy of the approved order as well as the certified supplier's invoice and goods receive voucher from the Procurement office;
- b. Capture the order and invoice information onto the financial system and prepare a payment advice to be certified by the Accountant Expenditure. Attach the invoice and goods receive voucher and the quotations or minutes from the tender adjudication committee to the documentation as mentioned;
- c. Prepare a cheque once the Divisional Head Expenditure or the delegated employee approves the payment advice;
- d. Arrange for the cheque to be signed by the relevant parties and post cheque with the original payment advise to the supplier;
- e. File the third (pink)copy of the payment advise with the quotations and other substantiating documentation in cheque sequence number in a fireproof safe;
- f. Perform a monthly creditors reconciliation between the information as captured onto the financial system and the supplier's monthly statement or invoices;
- g. Reconcile the creditor system balance on a monthly basis with the creditors general ledger account balance.
- h. Prepare a detailed printout of the creditors system once the balances are reconciled. Submit the list to the Accountant Expenditure for authorisation and file on a monthly basis for future references.

**Accountnat Expenditure**

- a. Verify the payment advice that was prepared by the Creditors Clerk and reconcile to substantiating documentation for accuracy and completeness. Sign the payment advice as proof of the review function performed.
- b. Verify on a monthly basis that the balance of the list of creditors prepared from the creditors system reconciles with the creditors general ledger account. Sign the creditors list for the review function performed.
- c. On a monthly basis, follow up on all outstanding orders.

**2. Direct payments**

- a. The same procedure has to be followed as in “1” above;
- b. In addition, when an official debit order received from the supplier or banking institution, it has to be signed as approval by the two officials authorised to sign cheques;
- b. The amount debited on the bank statement has to be verified by the Divisional Head with the amount stated on the debit order;
- c. A journal must be written by the Creditors Clerk and certified by the Divisional Head Expenditure to transfer the expenditure to the correct line item through the bank account;
- d. A copy of the bank statement which indicates the specific expenditure has to be filed with the original journal.

## **LEPHALALE LOCAL MUNICIPALITY**

### **SUPPLY CHAIN MANAGEMENT PROCEDURES**

#### **PROCEDURES TO REQUEST ITEMS FROM THE STORES**

- (1) A requisition has to be completed in full by an official responsible for the expenditure;
- (2) The departmental head or it's fully delegate must complete the Departmental Head's certificate and sign in the relevant space provided;
- (3) The requisition must be taken to the inventory clerk for processing it on the computer, after it was verified and confirmed by means of a signature that sufficient funds are available;
- (4) The official requesting the store - item has to take the requisition to the stores in order for the store-keeper to issue the item/s;
- (5) No item shall be issued without the necessary documentation as described in 4 above;

# LEPHALALE LOCAL MUNICIPALITY

## SUPPLY CHAIN MANAGEMENT PROCEDURES

### PROCEDURES TO CONTROL PETTY CASH PAYMENTS

#### 1. PAYMENTS FROM THE PETTY CASH FUNDS

##### a. Employee requesting petty cash funds.

Complete a pre – numbered petty cash requisition for payment document in duplicate. This document should be approved by the Manager/Divisional Head and should indicate the following information:

- Name of supplier;
- Date;
- Amount requested;
- Department;
- Description of expense; for example repairs, wages etc.
- Vote number

Obtain cash funds from the Petty Cash Officer. Purchase or pay for items / services needed and obtain an original invoice from the supplier.

Submit the original invoice to the Petty Cash Officer who should certify the invoice as correct and that the costs are for the account of the relevant department.

Submit the certified invoice to the Petty Cash Officer. Pay the difference in cash back should the actual expense be less than the amount received or obtain the difference in instances where expenses were self funded.

##### b. Petty Cash Officer

Receive the petty cash requisition from the applicant.

Hand the requisition to the Divisional Head who will approve or disapprove the expense.

Hand the cash requested to the applicant in respect of approved applications. The applicant should sign the requisition as proof that cash was received by him / her.

Receive the original invoice from the applicant. Clearly cancel the invoice and attach the invoice to the petty cash requisition. Refund the applicant should the funds obtained be less than the actual expenses or collect surplus cash.

Capture the information from the invoice and petty cash requisition into the petty cash register in numerical order. File the petty cash requisitions in numerical order.

##### c. Divisional Head Expenditure

Approve or disapprove all petty cash requisitions. Perform budgetary control on each received requisition.

# **LEPHALALE LOCAL MUNICIPALITY**

## **SUPPLY CHAIN MANAGEMENT PROCEDURES**

### **PROCEDURES REGARDING THE HANDLING OF TENDERS**

#### **1. INTRODUCTION**

This procedure is strictly confined to the administrative procedures and actual process to which a tender has to be subject to. It is therefore hereby categorically stated that this procedure has nothing to do with the working of a tender committee and / or the actual selection of tenders.

#### **2. PURPOSE**

The purpose of this manual is to inform Managers / Divisional Heads and other line-officials about the steps and procedures to be taken during the actual placement and further handling of tenders

#### **3. INSTRUCTION**

Management of the municipality has to instruct that a tender for a specific purchase has to be obtained. The Manager / Divisional Head in question has to compile the tender in terms of the instruction or the resolution (if applicable).

#### **4. TENDER NUMBER**

The tender number be obtained from the Records Office. This tender number has to be used throughout to refer to the tender in question.

#### **5. CONTENTS OF THE TENDER**

The tender which is to be published must contain the following :

- 5.1 The statement that tenders are being called for by the Municipality and the tender number be supplied;
- 5.2 A complete description of the goods / services that are the subject of the tender and as described by the instruction / resolution in question;
- 5.3 Closing date of the tender, namely the date, day of the week and time (12:00 to be taken as the closing time for all tenders on the due date, preferably on a Friday);
- 5.4 A statement that clearly identify the place where the tender box will be placed;

- 5.5 The instruction that the tenders be contained in a sealed envelope marked “Tender” with a description of the tender of (paragraph 5.2) above and the tender number (paragraph 4) above;
- 5.6 A statement that delivering of tenders per fax, e-mail or any other procedure contrary to (paragraph 5.5) above not be acceptable and that such tenders will not be considered by the Tender Committee;
- 5.7 An explicit condition that no tenders be accepted after 12:00 on the due date, notwithstanding the personal circumstances or time – or other constraints by the bidder and a clear indication that such tenders will not be considered by the Tender Committee.
- 5.8 An explicit indication that the tender box will not be opened before 12:00 on the date, either to remove anything from the tender box or to put anything into it.
- 5.9 The explicit statement that the Council is not obliged to accept the lowest tender or any tender as submitted.
- 5.10 An indication of the time and date of a site inspection / inspection in loco, if the circumstances of the tender call for that.

## **6. PROCEDURE TO PLACE TENDER**

- 6.1 As soon as the tender has been properly compiled and proof-read said tender has to be approved by the Departmental Head in question, where after it has to be handed over to the Communications Officer for publication.
- 6.2 The Communications Officer will then place the tender in one (1) local newspaper and one (1) or more National Newspapers as the circumstance may require.
- 6.3 As soon as the tender in question has appeared in the newspaper as placed, the Communications Officer will then make a cutting of the tender advertisement from the newspaper, paste it onto a clean sheet of paper and hand it in at the Records Office for filing.

## **7. PROCEDURE TO OPEN TENDER**

- 7.1 The locked tender box must be placed in the foyer of the Municipal Building on the Monday preceding the Friday on which the tender will close.
- 7.2 The tender box must be placed in such a way that it is visible and accessible to persons who intend to deposit a tender in the box.
- 7.3 The words “tender box” must be printed in bold letters on the box and the box must be displayed in such a way that the words can easily be spotted and read by any person who enters the foyer.
- 7.4 The keys to the tender box must be kept by the official designated to open the tender box.

- 7.5 At 12:00 on the closing date as advertised, the designated official and one other official will open the tender box and remove the tenders in public and take it to the Committee Room. No tenders can be accepted or put into the tender box after it has been removed at exactly 12:00 on the tender closing date.
- 7.6 It is the responsibility of the bidder to see to it that the tender that he wants to deposit into the tender box shall not be so bulky that it would not fit into the slot provided in the box through which the tenders are deposited. The tender box shall under no circumstances be opened to put a tender inside.
- 7.7 The designated officer and his assistant will then proceed to open the tenders in the following manner:
- 7.7.1 On removing the tender from the envelope, the Official will call out the name of the bidder, the town / city from which the bidder operates and the tender amount if the latter is indicated / applicable.
- 7.7.2 After the tender has been called out as denoted above, the Official will proceed to write the tender into the tender book, stating the name of the bidder, the town / city / locality from which the bidder operates and the tender amount if applicable.
- 7.7.3 Each and every tender opened shall be stamped with the official date stamp of the Municipality and its corresponding entry in the tender book shall also be stamped likewise next to it and also signed by both the designated official and his assistant.
- 7.7.4 When all tenders have been opened and processed as indicated above, the tenders will be handed in at the Records Office for sake keeping, from where said documents will be made available to the Tender Committee when applicable.
- 7.7.5 In the event where tenders have to be evaluated and reported on by service providers appointed for this purpose, said service providers will then take the tenders into their custody for further action that has to be undertaken by themselves in terms of the mandate given to them by this Municipality.
- 7.7.6 If a service provider takes the tenders in terms of paragraph 7.8.5 above, said service provider will have to sign a statement to this effect in the tender book.
- 7.7.7 All tenders must be returned to the designated officer by the service provider when he lodges his report to the Municipality and the designated officer will check the returned tenders against the tender book and then hand the tenders in to the Records Office for safe-keeping.

## **8. TENDER DOCUMENTS**

- 8.1 Tender documents have to be prepared and drawn up by the particular Manager / Divisional Head in which department on whose behalf the tender was placed and handed in at the Records Office before placement.
- 8.2 Copies of the tender documents will be made available to tenderers on application and at a cost as determined by tariff (If a tariff is not available, the tariff with regard to photo copied pages will apply).
- 8.3 The bidder will apply for tender documents at the Records Office who will hand a copy of said documents to the applicant on providing a Municipal receipt as proof of payment of the tariff in question.

## **9. SITE INSPECTION / INSPECTION IN LOCO**

- 9.1 If a site inspection or inspection in loco is applicable, the tender as published must indicate the time, date and venue of the inspection, as well as the name of the person who will conduct the inspection.
- 9.2 The person who will be designated to conduct the inspection, will be either an official designated by the Manager whose department is responsible for the tender or a service provider with whom it has been arranged to conduct the matter on behalf of the Municipality.

## **10. GENERAL**

The following measures are essential and have to be observed at all times when dealing with tenders.

- 10.1 All the relevant information should be placed in the tender advertisement, if anything has been left out, no person can be held liable or responsible to observe or adhere to any such thing that had not been stated in the advertisement and if it is found that the process has been flawed through such omission, the whole tender process has to be terminated and has to start again from scratch.
- 10.2 Under no circumstances must any tender be allowed which has not been accepted according to the procedure as advertised and as set out in this manual.
- 10.3 Care must be taken to provide records office with a copy of the tender and the tender documents to enable records office to assist bidders.
- 10.4 If 10.3 above has not been observed all applications and enquiries by bidders will be referred to the relevant manager.
- 10.5 No person / persons other than the officials / service providers tasked to deal with the tender in question will be allowed to have copies or to examine any tenders until after it had been dealt with by the tender committee.

# LEPHALALE LOCAL MUNICIPALITY

## SUPPLY CHAIN MANAGEMENT PROCEDURES

### PROCEDURES FOR PUBLIC AUCTIONS OF MOVABLE GOODS

#### INTRODUCTION

The guidelines set out below are for Municipal auctions with regard to “**Movable Goods**” declared redundant.

#### 1. RESOLUTION

- 1.1 Before any Municipal property can be sold, the necessary permission has to be obtained for the sale of the property in question.
- 1.2 The Resolution has to be clear and precise, namely identifying the actual items that have to be sold as well as laying down a reserve price if applicable.
- 1.3 The resolution has to contain special conditions of sale, if applicable.

#### 2. NOTIFICATION

- 2.1 Public Notice of the auction has to be given in at least one (1) newspaper that circulates in the municipal area, fourteen (14) days before the auction.
- 2.2 Notices to the same effect must be put up on all Municipal Notice Boards.
- 2.3 Notices of the auction must contain the starting time, date and venue of the notice as well as the following additional information: -
  - 2.3.1 Conditions of sale will be read before the auction starts ;
  - 2.3.2 The inventory of the items for sale will be for inspection at the office of the Divisional Head: Expenditure for fourteen (14) days, if applicable;
  - 2.3.3 Copies of the inventory will be made available to members of the public on application and after payment of the applicable Municipal Tariff pertaining two (2) copies per page
  - 2.3.4 Reserve prices, if applicable will be announced before the particular item is auctioned.

### 3. INVENTORY

- 3.1 Inventory of all items that have to be sold by auction, must be compiled by the Budget & Treasury Office.
- 3.2 After completion of the inventory, it must be submitted to the Municipal Manager at least ten (10) working days before the publication date of the auction so that the Municipal Manager can peruse and certify the inventory.
- 3.3 After certification of the inventory, which must take place before the publication date of the auction, the Divisional Head: Expenditure must keep the inventory in his office for perusal by the public.

### 4. THE AUCTION

- 4.1 The auction must take place on Municipal grounds so as to enable the Municipality to have access control to the auction site if the auction is handled by own staff.
- 4.2 The auction can be conducted by Municipal staff or can be sourced out to a professional auctioneer.
- 4.3 In the event of outsourcing, the professional auctioneer might use his own staff and venue. In this instance, the auctioneer will have to sign an inventory with the declaration that he has accepted the goods and at the end of the auction, the Divisional Head: Expenditure and the auctioneer must reconcile the inventory.
- 4.4 If the auction is to be conducted by own staff, the following staff component will be needed:
  - 4.4.1 The auctioneer: that is the person who does the actual auctioning. This can be a staff member or somebody from outside whose remuneration has to be negotiated. The auctioneer and the Divisional Head: Expenditure must jointly manage the auction. The auctioneer will perform the actual auctioning of the items on the day of the auction.
  - 4.4.2 Further duties of the auctioneer will be:
    - On the date of the auction:
      - a. Read the notice of the auction and the conditions of sale to the public
      - b. Explain arrangements with regard to bidding, recording and payment to the public
      - c. Before the starting time of the auction, assist the Divisional Head: Expenditure in checking the inventory and giving final instructions to supporting staff
      - d. After the auction assist the Divisional Head: Expenditure in verifying the records

4.4.3 The Divisional Head: Expenditure shall appoint the supporting staff for the day of the auction and see to it that every person understands his / her duties and is in possession of the correct documentation on the day of the auction. The Divisional Head: Expenditure shall also be responsible for the following :

- 4.4.3.1 The compilation of the auction roll
- 4.4.3.2 The compilation of a numbered buyers list
- 4.4.3.3 The compilation of the record of the auction
- 4.4.3.4 Preparation of invoices for the auction
- 4.4.3.5 Training of staff responsible for documentation and duties during the auction

## 5 . AUCTION STAFF

### 5.1 Keeper of the Auction Roll

The auction roll contains the inventory of the auction with lot numbers and a space to fill in the buyer's allotted number

### 5.2 Keeper of the buyers list and allocating buyer's numbers

- The buyers list must be filled in at the beginning of the auction.
- Names and addresses of prospective buyers have to be written down and numbers allocated to individual buyer
- Tickets / discs with their numbers will be handed out to all recorded buyers

### 5.3 Record Clerk of the auction

- The record clerk writes up the names of the buyers and the items that they have purchased in the record
- The record must be reconciled with the Auction Roll, the buyers list and the invoices issued

### 5.4 Invoice Clerk ( can be the same as the records clerk)

- Writes invoices and give to purchasers of items so that they can pay for the items at the Municipal cashiers

### 5.5 Cashiers

- It is advisable that cashiers should not receive money at the site of the auction because of the risk involved
- Buyers should pay at the Municipal pay points presenting their invoices

and receipts will then be issued for the amounts paid

#### 5.6 Check-out Clerk

- Check-out clerk will check out all goods against duplicate invoices and receipts before allowing such to be removed from the premises by the purchaser

### 6. CONSOLIDATION

After reconciling all documentation and verifying that everything that has been sold has been paid for and removed by the buyers. The Divisional Head: Expenditure will write the Financial report of the auction to the Municipal Manager .

When the Municipal Manager has satisfied himself that the report in question is correct and in order he will report on the auction to the Executive Committee.