

CITY OF JOHANNESBURG

SUPPLY CHAIN MANAGEMENT POLICY

**Adopted in terms of section 111 of the Municipal Finance Management Act, No
56 of 2003.**



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DEFINITIONS

CHAPTER 1

1. 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 –

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

“**CIDB**” means the Construction Industry Development Board Act, 2000 (Act No 38 of 2000)

“**the City**” means the City of Johannesburg Metropolitan Municipality, a metropolitan municipality duly established by virtue of Provincial Notice 6766 dated 1 October 2000;

“**City Manager**” shall mean the official appointed by the City as City Manager and whom will be acting as the accounting officer of the City as contemplated in the Act;

“**competitive bidding process**” means a competitive bidding process referred to in paragraph 19.3 of this Policy;

“**competitive bid**” means a bid in terms of a competitive bidding process;

“**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 paragraph 19.2 of this policy;

“Heads of Departments” means any Executive Director or Regional Director of the City, including any Director who reports directly to the City Manager;

“Fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been taken;

“in the service of the state” means:–

- (a) an employee of any municipality who has a performance contract with the municipality and is employed on a permanent, temporary or short term basis.
 - (b) an employee or public servant of any national or provincial government as defined in terms of Public Services Act
 - (c) a member who –
 - (i) is a councillor of any municipal council as defined in the Local Government Municipal Structures Act (Act No 117 of 1998);
 - (ii) is a politician serving in any provincial legislature; or
 - (iii) is a politician serving in the National Assembly or the National Council of Provinces;
 - (d) a member of the board of directors of any municipal entity;
 - (e) an employee and a member of a government owned entity as defined in the Public Finance Management Act (Act No 1 of 1999);
- and/or such other meaning ascribed to it by National Legislation from time to time;

“long term contract” means a contract with a duration period exceeding one year;

“other applicable legislation” means any other legislation applicable to Municipal Supply Chain Management, including, but not limited to:–

- (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); and
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Regulation” means the Municipal Supply Chain Management Regulations promulgated in terms of the Local Government: Municipal Finance Management Act, 2003,

“Sole supplier” means sole supplier as referred to in paragraph 19.5 of this policy

“Supply Chain Management Code of Conduct” means the National Treasury’s Code of Conduct for Supply Chain Management Practitioners and other Role Players, as amended by the City, a copy of which is attached to this Policy as Annexure A to this Policy;

“Systems Act” means the Local Government: Municipal Systems Act No 32 of 2000, as amended.

“the/this Policy” means the Supply Chain Management Policy adopted by the City in terms of Section 111 of the Act, as amended from time to time;

“Two stage bidding” means two stage bidding process referred to in paragraph 19.3.2 of this policy

“Treasury guidelines” means any guidelines on Supply Chain Management issued by the Minister in terms of section 168 of the Act;

“Unsolicited bid” means bids as defined in paragraph 19.6 (1) of this policy

“Supply Chain Management” means systems approach to manage the entire flow of goods and services that will create and optimize value for customer in the form of products and services which specifically at satisfying customer demands.

“Service provider” means an accredited service provider by the City of Johannesburg, of goods and services required from time to time by the City.

CHAPTER 2

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. PURPOSE OF THE POLICY

The purpose of this Policy is to regulate all Supply Chain Management practices within the City. This policy implements the Supply Chain Management practices as envisaged by the Act and its Regulations. All employees must adhere, implement and observe provisions and requirements of this policy.

3. EFFECTIVE DATE

This Policy is effective from the date of adoption thereof by the City.

4. PRINCIPLES ASCRIBED TO IN THIS POLICY

This Policy ascribes to the following principles-

- (a) A procurement system which is fair, equitable, transparent, competitive and cost effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;
- (b) As enshrined in Chapter 11 of the Act and its Regulations;
- (c) Best practices in Supply Chain Management;
- (d) Uniformity in Supply Chain Management systems between organs of state in all spheres;
- (e) Broad Based Black Economic Empowerment;

5. CITY OF JOHANNESBURG'S COMMITMENT

The City management, individually and collectively, is committed to:

- (a) The implementation and full compliance of Supply Chain Management policies and practices as envisaged by the Act and its Regulations.

- (b) Fair, equitable, transparent and competitive Supply Chain Management practices and processes. To this extent, the City will accord all, a fair administrative process whenever procuring or disposing of goods and services.
- (c) Sourcing goods and services at competitive market prices taking into account the Total Cost of Ownership (TCO) concept and value adding principles;
- (d) Enhancing healthy and mutually beneficial relationships with suppliers of goods and services and user departments and regions, based on integrity, honesty, professionalism and ethics.
- (e) Utilization of the City's buying power as leverage to ensure effective implementation of Broad Based Black Economic Empowerment objectives.
- (f) Enhance the City's viability and competitiveness through effective and efficient Supply Chain practices and systems.
- (g) Economic development of local communities, Small Medium and Micro enterprises, women-owned enterprises, youth-owned and disabled-owned enterprises within the area of jurisdiction of the City.
- (h) The high ethical business practices and conduct, and expects the same of suppliers doing business with the City. The Code of Conduct for Supply Chain Management Practitioners and Other Role Players' is attached as Annexure A.
- (i) Confidential treatment of all information received and held within.
- (j) Objectives and provisions of the Competitions Act and demands of all suppliers full compliance thereto.
- (k) The principles and provisions contained in the Promotion of Access to Information Act.
- (l) The City fully supports the Proudly South African Campaign and will as far as practical seek to award business to service providers with high local content in their products and services.

6. APPLICABILITY OF THIS POLICY

This Policy is applicable to the entire City and must be strictly adhered to when:-

- (a) procuring goods or services;
- (b) disposing of redundant goods
- (c) selecting service providers other than in circumstances where Chapter 8 of the Systems Act applies; or

The above do not apply when procuring goods and services from State Departments, public entities and other organs of State.

7. ADOPTION AND AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

- (1) The City Manager, through the Executive Director: Finance & Economic Development must annually review the implementation of this Policy.
- (2) The City Manager must submit a draft policy or subsequent amendments to the Council for approval. Such policy or subsequent amendments must be in line with the model policy and Regulations as compiled by National Treasury. Deviations from the model policy or Regulations are to be reported to National and Provincial Treasury.
- (3) When amending this Policy, the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres must be taken into account.
- (4) The City Manager shall in terms of section 62 (1) (f) (iv) of the Act, take all reasonable steps to ensure that the City implements this Policy.

8. OVERSIGHT ROLE OF COUNCIL

The Council has and must maintain an oversight role over the implementation of this Policy.

9. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

- (1) The Council hereby delegates the following powers and duties to the City Manager, as the accounting officer –
 - (a) to discharge the Supply Chain Management responsibilities conferred on City Managers in terms of:-
 - (i) Chapter 8, 10 and 11 of the Act;
 - (ii) The Supply Chain Management Policy of the City;
 - (b) to maximise administrative and operational efficiency in the implementation of the Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the Policy.

10. SUB DELEGATIONS

- (1) The City Manager, in terms of section 79 and 106 of the Act, hereby sub delegate the following Supply Chain Management powers and duties-
 - (a) To the Executive Director Finance and Economic Development for implementation of Supply Chain Management responsibilities and activities in terms of the Act and its Regulations.
 - (b) To the Executive Acquisition Committee and Central Acquisition Committee the power to make final awards as follows:

Committee	Chairperson	Value
Executive Acquisition Committee (EAC)	City Manager	> R10 million VAT Inclusive
Executive Acquisition Committee (EAC)	City Manager or his Nominee	> R 5 m to R10 million VAT Inclusive for the contract / project duration
Central Acquisition Committee (CAC)	Executive Director Finance & Economic Development	R200 000.< R5 m VAT Inclusive, for the contract / project duration.

- (c) To Director: Supply Chain Management authority to make final awards of written quotations or bids from R10 000 to R200 000 inclusive of VAT.
- (d) To Departmental Heads authority to make final awards of purchases or transactions up to R10 000 inclusive of VAT
- (e) The Acquisition Committees, which solely are composed of employees, shall make decisions in accordance with their Terms of Reference. No advisor or consultant will have decision-making powers to make final awards on behalf of the City.

11. REPORTING REQUIREMENTS

11.1 Reporting by the City Manager to the Council

The City Manager must submit the following reports to the Council through established channels –

- (a) Progress Report on implementation of this Policy within 10 days of the end of each quarter;
- (b) Consolidated report on the implementation of this Policy within 30 days of the end of each financial year;
- (c) Report all deviations in the implementation of this Policy and any remedial action taken or envisaged;

- (d) Report containing particulars of each final award made by the Acquisition Committees during that month, including:–
 - (i) the amount of the award;
 - (ii) the name of the person to whom the award was made;
 - (iii) the reason why the award was made to that service provider; and
 - (iv) details of the acquisition plan versus the spend for the month.
- (e) Report on awards of unsolicited bids;
- (f) Report on all awards to close family members or persons in the service of the State or has been in the service of the State in the previous 12 months;
- (g) Report on any abuses found and the remedial actions taken, and
- (h) Report of all declarations made and gifts received by employees.

11.1.2 Reporting by the Executive Director: Finance and Economic Development to the Finance, Strategy and Economic Development Committee and the Mayoral Committee

The Executive Director: Finance and Economic Development must submit the following reports to the Finance, Strategy and Economic Development Committee and the Mayoral Committee through established channels –

- (a) Progress Report on implementation of this Policy within 10 days of the end of each quarter;
- (b) Consolidated report on the implementation of this Policy within 30 days of the end of each financial year;
- (c) Report all deviations in the implementation of this Policy and any remedial action taken or envisaged;
- (d) Quarterly progress report on operations of the Supply Chain Management Unit;

- (e) Report containing particulars of each final award made by Acquisition Committees during that month, within 5 days of the end of each month, including:–
 - (i) the amount of the award;
 - (ii) the name of the person to whom the award was made;
 - (iii) the reason why the award was made to that person; and
 - (iii) details of the acquisition plan versus the spend for the month.

11.1.3 Reporting by the Director: Supply Chain Management to Executive Director: Finance and Economic Development, Executive Management Team and CIDB

The Director: Supply Chain Management must submit the following reports to the Executive Director: Finance and Economic Development, Executive Management Team, Head of Departments, Relevant Member of the Mayoral Committee and CIDB through established channels:–

- (a) Report on Final awards made by Acquisition Committees Team within 5 days of the end of each month;
- (b) Report to the relevant Heads of Departments on non-compliance, deviations and remedial action proposed or taken;
- (c) Report to CIDB on construction projects awarded;
- (d) Report to the Executive Director: Finance and Economic Development on the operations of the Supply Chain Management Unit on a monthly basis;
- (e) Report containing particulars of each final award made by Director or Heads of Department or Acquisition Committees during that month within 5 days of the end of each month, including:–
 - (i) the amount of the award;
 - (ii) the name of the person to whom the award was made;
 - (iii) the reason why the award was made to that person; and
 - (iv) details of the acquisition plan versus the spend for the month

11.1.4 Reporting by the Heads of Departments to Executive Director: Finance and Economic Development

- (a) The Heads of Department must submit petty cash procurement report to the Executive Director: Finance and Economic Development on monthly basis;
- (b) Report on final awards of transactions below R10 000 within 5 days of the end of each month, including:–
 - (i) the amount of the award;
 - (ii) the name of the person to whom the award was made;
 - (iii) the reason why the award was made to that person; and
 - (iv) details of the acquisition plan versus the spend for the month.

11.1.5 Reporting by the City to National Treasury and /or Provincial Treasury

The City must submit the following reports to National Treasury and or Provincial Treasury-

- (a) Report on all purchases paid for in foreign currency;
- (b) Report on contracts and/or transaction to the value of R100 million and more;
- (c) Report on supplier or director thereof that has abused the Supply Chain Management system and have been found guilty of improper conduct;
- (d) Awards of unsolicited bids;
- (e) Report on any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:-
 - (i) a provider or prospective provider of goods or services;
 - (ii) a recipient or prospective recipient of goods disposed or to be disposed.
- (f) Report on any service provider that has been found guilty of inducing or bribing City employees for the award of business;

- (g) Report on all awards of more than R2 000 to a close family member of persons in the service of the state or has been in the service of the state in the previous 12 months;
- (h) Report on abuses of Supply Chain Management and the remedial steps taken;
- (i) Report on contracts awarded that the duration extends beyond three years.

11.1.6 Reporting by the City to Department of Trade and Industry-

The City must submit to Department of Trade and Industry a report on all transactions/contracts to the value of R100 million and more. All reports indicated above will be made public through the official website of the City.

12. APPROVAL AND MAINTENANCE

- (1) Amendments to this Policy shall be presented to and approved by the Council.
- (2) This Policy will be subject to periodic review, at least on a yearly basis or more frequently if required, to ensure that it remains relevant to changed circumstances.
- (3) The City Manager shall be responsible for the review of this Policy.

13. SUPPLY CHAIN MANAGEMENT UNIT

- (1) The Supply Chain Management Unit reports to the Executive Director: Finance and Economic Development, as the Chief Financial Officer.

14. TRAINING OF SUPPLY CHAIN MANAGEMENT EMPLOYEES

- (1) The training of employees involved in implementing this Policy will be in accordance with any applicable National Treasury guidelines on Supply Chain Management training, South African Qualification Act, Skills Development Act and best practices.

15. PERFORMANCE MANAGEMENT

- (1) Compliance to this Policy will form an integral part of the City's performance measurement system for all Heads of Department and Supply Chain Management practitioners.
- (2) On yearly basis Supply Chain Management Unit objectives will be set and measured as per the City's Integrated Development Plan.
- (3) The City will ensure that Supply Chain Management practices are audited at least on yearly basis.

CHAPTER 3

FORMAT OF SUPPLY CHAIN MANAGEMENT

16. SUPPLY CHAIN MANAGEMENT SYSTEMS

- (1) This Policy provides systems for –
- (a) demand management;
 - (b) acquisition management;
 - (c) logistics management;
 - (d) disposal management;
 - (e) risk management; and
 - (f) performance management.

PART 1:

DEMAND MANAGEMENT

17. DEMAND MANAGEMENT

- (2) To implement effective and efficient Supply Chain Management system that espouses cost savings the City ascribes to the following principles of demand management:-
- (a) Consolidation of the City's requirements through Supply Chain Management Unit to maximize economies of scale. To this extent all requirements must be processed through Supply Chain Management Unit;
 - (b) Clearly articulated requirements and specifications that meet the needs and expectations of multiple users. The specifications shall be unbiased, functional and not brand specific;

- (c) Acquisition of all goods and services required must be outlined in terms of the Integrated Development Plan, quantified on monthly or quarterly basis;
- (d) Similar requirements will necessitate one contract;
- (e) Where necessary Industry Analysis and Research should be undertaken to ensure best value for money.

PART 2:

ACQUISITION MANAGEMENT

18. SYSTEM OF ACQUISITION MANAGEMENT

- (1) The City shall only proceed with the acquisition of goods and services for which there is an approved budget. The onus will be on the relevant Head of Department to ensure that funds are available. All procurement of goods and services will be measured against approved acquisition plans. For any unplanned needs, permission shall be sought from the respective Heads of Departments.
- (2) The City's acquisition management will ensure:
 - (a) that goods and services are procured by the City in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget;
 - (c) that the threshold values for the different procurement mechanisms as contained in 19 below are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
 - (e) that any National Treasury guidelines on acquisition management are properly taken into account.

- (3) This Policy, except where otherwise provide for herein, 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.
- (4) The following information will be made public whenever goods or services contemplated in section 110 (2) of the Act are procured other than through the Supply Chain Management system -
- (a) the kind of goods or services; and
 - (b) the name of the supplier.

19. PROCUREMENT MECHANISMS

- (1) The City shall adhere to principles of fair, equitable and transparent procurement system whenever sourcing goods and services from the market. To ensure attainment of this critical requirement the following procurement mechanisms are prescribed when procuring goods and services on behalf of the City.

MECHANISM	TOTAL TRANSACTION VALUE
Petty Cash Purchases	R nil to R2 000 VAT Inclusive
Written Quotation	R 2000 to R200 000 VAT Inclusive
Competitive Bidding/Tender	> R200 000 – VAT Inclusive
Negotiations	Any Value
Sole Suppliers	Any Value
Unsolicited Bidding	Any Value

19.1 PETTY CASH PURCHASES

- (1) In certain cases it is not possible or economically viable to procure goods and services through written quotation or competitive bidding processes. This situation will arise where the total costs of engaging in written quotation or competitive bidding far outweighs the value of the item(s) or services been sought. This situation is envisaged for items or services below R2 000 VAT inclusive only. The R2 000 (VAT inclusive) should be the total value of all of the City's requirements for a particular item or service for the entire financial year or the requirements must be so incidental that it is not viable/feasible for the City to establish a contract or keep stock.
- (2) This mechanism might also be utilized in an emergency situation where the total value of the goods or service is below R2 000 subject to authorized process being followed.
- (3) Only Heads of departments may authorize petty cash processes.

19.2 WRITTEN QUOTATIONS

- (1) To ensure that transparent and equitable objectives are adhered to at all times when procuring different goods and services, the City shall use the written quotation mechanism when:-
 - (a) The total value of goods and services is more than R2 000 but below R200 000 inclusive of VAT. These thresholds apply to the yearly-consolidated requirements of the City;
 - (b) For this mechanism, the City may only obtain quotations from accredited suppliers registered on its Data-base. Only when there are no technically suitable suppliers on the data-base will the City use suppliers not registered.

- (2) The quotations must be obtained in writing from at least three different suppliers. As far as possible all suppliers must be afforded an opportunity to quote on a rotational basis.
- (3) Should it not be possible to obtain three quotations, the reasons must be recorded and supported by the Director Supply Chain Management or the Head of Department as per delegated authority.
- (4) If there are frequent requirements, which the amount per transaction is less than R200 000 per user, such requirements must be consolidated and a contract be established through competitive bidding process.
- (5) Splitting of requirements with the sole intention of circumventing any of the procurement mechanism listed is not allowed.

19.3 COMPETITIVE BIDDING PROCESS

19.3.1 SINGLE STAGE COMPETITIVE BIDDING PROCESS

- (1) To ensure transparency and equitability when procuring goods and services, the City shall use competitive bidding when-
 - (a) Procuring goods or services above value of R200 000 (VAT inclusive).
 - (b) Procuring goods and services requiring long-term contracts.
- (2) Services classified as essential shall only be procured through competitive bidding process.
- (3) Competitive bidding will be handled procedural.
- (4) Splitting of requirements with the sole intention of circumventing any of the procurement mechanisms listed in this policy, will not be allowed.

19.3.2 TWO-STAGE COMPETITIVE BIDDING PROCESS

- (1) A two-stage bidding process is allowed when:-
 - (a) the requirements are not easily determinable and it is ideal to engage the market in firming up the requirements;

- (b) Sensitive projects or services requiring security clearance prior to the award or where it is undesirable to prepare complete detailed technical specifications;
- (c) Complex projects that require multiple stages before award and are requiring period of three years;
 - (i) The first stage entails issuing out a Request for Information to the market through public invitations;
 - (ii) The second stage entails issuing out a detailed Request for Proposals to only short listed suppliers.

19.4 NEGOTIATIONS

- (1) The Negotiation mechanism may be used when:-
 - (a) procuring goods and services from single or sole suppliers;
 - (b) annual price increases;
 - (c) contract terms and conditions;
 - (d) finalizing the award of business with preferred bidders provided that such negotiations:
 - (i) do not allow any preferred bidder a second or unfair opportunity;
 - (ii) are not to the detriment of any other bidder;
 - (iii) do not lead to a higher price than the bid as submitted;
 - (iv) the bidding document or Request for Quotation document must specify that negotiations will be conducted in finalizing the award.
- (2) Approval or mandate to negotiate with any suppliers must be obtained in writing from the relevant Acquisition Committee or relevant delegated authorities as per Sub delegation referred to in clause 9 of this policy.
- (3) The mandate to negotiate must at least include the following:
 - (a) Reasons for negotiations;
 - (b) Negotiations parameters;

- (c) objectives of the negotiations;
 - (d) Supplier(s) to be negotiated with.
- (3) The outcome of the negotiations must be approved by the relevant Acquisition Committees and/or delegated authority before award.
- (5) Records of all negotiations must be kept.

19.5 SOLE SUPPLIERS

- (1) Procuring goods and services from sole supplier occur when:-
- (a) only one supplier manufactures or renders goods and services due to unique nature of the requirements;
 - (b) goods and services already in the City's value chain/employ are only supplied by an Original Equipment Manufacturer(OEM) or by a licensed agent thereof;
 - (c) there is a requirement for compatibility, continuity and alignment.
- (2) Authorized agents must produce letter from OEM before award.
- (3) For transparency and fairness all requirements categorized to be sourced from sole suppliers should be advertised for 14 calendar days.

19.6 UNSOLICITED BIDS

- (1) Unsolicited bids are bids that are preemptively submitted by the prospective supplier(s) to City without any requirements been identified and advertised. This situation arises when the supplier(s) identify an opportunity to render services or supply products not ordinarily required by the City.
- (2) The City may consider any unsolicited bids received outside a normal bidding process when:-
- (a) the product or service is not in the budget and/or in the Integrated Development Plan;

- (b) the business opportunity or cost saving opportunity is viable, innovative, demonstratively unique and essential;
 - (c) the person or entity who submitted the bid is the sole provider of the product or service.
- (3) To ensure transparency, fairness and to restrict abuse, the City must publicly advertise the requirement to allow other interested parties to submit bids provided:-
 - (a) the Request for Proposals will be generic and must protect the intellectual property and innovation of the unsolicited bidder;
 - (b) Prior to advertising, the unsolicited bidder will be informed of the City's intentions to invite public bids.
- (4) The City reserves the right to award the business to any competitive proposal besides the unsolicited bidder.
- (5) The Executive Acquisition Committee must consider the recommended bid(s) emanating from the Unsolicited bid process and make final award.
- (6) The City reserves the right to reject any bidder who may have generated an unsolicited bid having used privileged information owned by the City.

20. GENERAL CONDITIONS APPLICABLE TO THE CONSIDERATION OF WRITTEN QUOTATIONS

- (1) The City will only consider signed written quotations and bids that comply with the following requirements:
 - (a) binding quotations and bids that have the service provider's:-
 - (i) full name;
 - (ii) identification number or company registration number;
 - (iii) tax reference number and VAT registration number;
 - (iv) a valid original Tax Clearance Certificate;

- (v) Up to date Rates and Taxes statements from the municipality where the service provider resides.
- (b) have signed the declaration form under oath stating the following:-
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its 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 service provider or of a director, manager, shareholder or stakeholder referred to in Annexure A

21. DEVIATIONS FROM PROCUREMENT MECHANISM

- (1) Deviations from Procurement Mechanism entailed in this Policy are not encouraged and may only be allowed in the following circumstances:-
 - (a) emergency or exceptional cases;
 - (b) if such goods or services are produced or available from a single/sole provider only;
 - (c) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (d) for the acquisition of animals for the zoo and/or nature and game reserves.
- (2) Deviations must be recommended by the Head of Department for consideration by the Executive Acquisition Committee.
 - (a) The City Manager must record the reasons for any deviations from Procurement Mechanism

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

- (1) The City Manager may procure goods and/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) the other organ of state and the provider has consented to such procurement in writing.
 - (e) goods or services required by the City are similar to those on contract.
- (2) Subparagraphs (1) (c) and (d) above do not apply if –
 - (a) a municipal entity procures goods or services through a contract secured by the City; or
 - (b) the City procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.
- (3) The City Manager shall report quarterly to the Mayoral Committee in respect of all and any goods and/or services procured in terms of this paragraph.

23. SUPPLY CHAIN MANAGEMENT COMMITTEE SYSTEMS

- (1) The City makes use of committee system to ensure that the acquisition process for goods and services is open, fair and transparent.
- (2) The Committee system ensures that objectivity, value for money and cost effectiveness principles are espoused in all phases of the acquisition process.
- (3) The City will make use of the following committees:

Committee	Function	Composition
Bid specification Committee	Compiling specifications for the City's requirements to be acquired	User department; SCM representatives and external specialist advisors
Bid Evaluation Committee	Evaluation of Bids, compilation of reports & making recommendations	User department; SCM representatives and external specialist advisors, Finance and Legal representatives
Acquisition Committee (Bid adjudication)	Consideration of the recommendations and award	As per Terms of Reference

23.1 BID SPECIFICATION COMMITTEES

- (1) The bid specification committee compiles the technical specifications for each requirement.
- (2) The technical 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 South Africa Bureau of Standards (SABS), the International Standards Organisation (ISO), or an authority accredited or recognised by the South African National Accreditation System (SANAS);
 - (c) must be functional and not be outcome based or brand inclined;
 - (d) must not create trade barriers in contract requirements in the forms of plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) shall not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise

- or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”;
- (f) must indicate each specific goal for which points shall be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
 - (g) must be approved by the City Manager or his delegated authority prior to publication of the invitation for bids in terms of clause 9 of this Policy.
- (3) The bid specification committee must be composed of one or more employees of the City, preferably the manager responsible for the function involved, and shall, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, shall bid for any resulting bids.

23.2 BID EVALUATION COMMITTEES

- (1) The bid evaluation committee must;–
- (a) evaluate bids in accordance with the approved specification;
 - (b) evaluate each bidder’s capability to execute the contract from a technical, financial and commercial perspective;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears or that there is a valid arrangement to settle the debts; and
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

23.3 BID ADJUDICATION COMMITTEES

- (1) The bid adjudication committees must consider the report and recommendations of the bid evaluation committee in terms of their mandates as per the Resolution of the Council dated July 2004.
- (2) The City Manager shall, in accordance with Section 114 of the Act, notify the Auditor-General, the Provincial Treasury and National Treasury within 10 working days where a bid, other than the one recommended in the normal course of implementing this Policy, has been approved.

24. SUPPLIER MANAGEMENT AND DEVELOPMENT

- (1) The City ascribes to sound principles and practices of supplier management and development to ensure the following:
 - (a) equal opportunities for all suppliers;
 - (b) development and management of SMME and BBBEE; and
 - (c) mutually beneficial relationships based on fairness, transparency, trust and good ethical conduct.
- (2) To ensure that the above mentioned objectives are met the City will:-
 - (a) keep a list of accredited prospective service providers of goods and services;
 - (b) at least once a year through public invitation including the City's website <http://www.joburg.org.za/>, invite prospective service providers of goods or services to apply for accreditation and registration;
 - (c) specify the listing criteria for accredited prospective service providers; and
 - (d) the list will be updated at least quarterly to make provision for new registrations
- (3) The City will not register and/or do business with service providers whose names appear on the National Treasury's database as a person or entity prohibited from doing business with the public sector.

- (4) The City will develop, implement and maintain Supplier Management and Development Policy

25. PENALTIES FOR ABUSE OF SUPPLY CHAIN MANAGEMENT

- (1) Abuse of Supply Chain Management is not acceptable and the City will take harsh steps against any person found to have violated and/or abused this policy.
- (2) Employees found guilty of conniving with suppliers or contravening this Policy will be disciplined.
- (3) Service providers and their directors who have been found guilty of abusing this Policy will be barred/suspended from doing business with the City and National Treasury will be informed accordingly.
- (4) The City reserves the right to criminally prosecute any person found to have violated or abused this Policy. To this extent the South African Law Enforcement agencies will be informed and the case will be handed over to them.
- (5) The City reserves the right to cancel or not to award business to service providers found to have:
 - (a) unfairly influenced the process of award and have been found guilty of improper conduct;
 - (b) has been convicted for fraud or corruption during the past 5 years;
 - (c) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (d) has been listed in the Register for Tender Defaulters In terms of section 29 of the Prevention and Combating of Corrupt Activities Act No 12 of 2004.

- (6) All employees are expected to assist the City in fighting corruption and to this extent are encouraged to report all suspicious acts in terms of the City's Anticorruption Policy.

PART 3:

INVENTORY MANAGEMENT AND ASSET DISPOSAL (LOGISTICS MANAGEMENT)

26. INVENTORY MANAGEMENT

- (1) The City is committed to the following principles of inventory management:
- (a) consolidation of stock items to avoid duplication and redundancy;
 - (b) running the stores in an efficient and cost effective manner;
 - (c) maintaining an effective item identification system;
 - (d) avoid fruitless and wasteful expenditure by disposing redundant material on time; and
 - (e) designing and implementing internal control systems that seeks to ensure that the City minimises theft and avoidable losses.
- (2) To ensure achievements of the goals above the City will ensure that:-
- (a) Items are coded to ensure that each item has a unique number for the purposes of monitoring spending patterns on types or classes of goods and assets;
 - (b) Stock items are kept in clearly marked bins located in the store /warehouses to enable ease of identification at all times;
 - (c) To prolong the life of goods/stock kept in the stores / warehouse, the stores / warehouse must be kept in a clean, safe, tidy and systematic condition that complies with the health and safety standards;

- (d) Inventory levels will be set that includes minimum and maximum levels and lead times wherever goods are placed in stock. Thus, the minimum and maximum re-order levels and safety stock will also be determined for each stock category by the Inventory Manager and the User Departments and Regions are responsible for providing demand forecasts to enable the Stores Manager to determine these minimum and maximum levels;
 - (e) Appropriate measures will be taken to minimise the risk, associated with the keeping of stock/goods, to the City, as well as management of stock-outs;
 - (f) Ordering and receiving of stock must be done according to the Procedure manual.
- (3) The City will ensure appropriate standards of internal controls and stores/warehouse management are in place to ensure goods placed in stores are secured and only used for the purpose they were purchased;
 - (4) The City will ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes.

27. ASSET DISPOSAL MANAGEMENT

- (1) The process of asset disposal should be transparent, equitable and fair;
- (2) All asset disposal transactions should be through a public tender or public auction;
- (3) The appointment of auctioneers should be through competitive bidding;
- (4) Prior to the disposal of assets, reasonable efforts must be made to ensure that no other organ of state may have use of the items;
- (5) Appropriate channels must be followed for disposing assets through donation mechanism.

28. RISK MANAGEMENT

- (1) The City will effectively manage risk through a system of identification, consideration and avoidance of potential risks in the Supply Chain Management system.
- (2) The criteria for the identification, consideration and avoidance of potential risks in the Supply Chain Management system, are as follows:
 - (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.
- (3) Due care must be taken in the bid administration and management process to minimise the risk of litigation by unsatisfied service provider/s. The Supply Chain Management Unit must ensure that where third party software or license agreement/s is used, a service provider owns/has the right of use of any intellectual property. Any damages for non-compliance will be for the suppliers account.

CHAPTER 4:

GENERAL MATTERS

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

- (1) Service providers whose tax matters are not known or have not been declared to be in order by the South African Revenue Services are not eligible to be awarded business by the City. Tax clearance is a mandatory requirement for all procurement mechanisms listed in this policy with the exception of Petty Cash. It is the service provider's responsibility to provide the City with a valid and original Tax Clearance Certificate and failure to do so is automatic disqualification. It is an offence to deregister for Vat purposes after obtaining business from the City. Should the City establish that a supplier has deregistered post contract award and is claiming VAT, the City will summarily cancel the contract and prohibit the offender from doing business with City in the future.

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

- (1) The City will not, subject to such amendments to the Act and exemptions as the Minister may promulgate from time to time, award contracts to service providers who are owned directly or indirectly by the following categories of persons-
 - (a) defined as an employee or public servant in the service of the state working for Local, Provincial and National government; or
 - (b) defined as an employee in the service of a government owned entity including the municipal entities

- (c) if the employee mentioned above is actively or inactively a director, manager, principal shareholder or stakeholder of the service provider concerned;
 - (d) is a member of the board of directors of a municipal entity within its area of jurisdiction;
 - (e) who is an advisor or consultant contracted to the City for the purposes of assisting the City with defining of requirements, drafting of specifications or evaluation of the bids.
- (2) The City will not award business to service providers owned directly or indirectly by politicians serving as councilors for any municipality unless the councilor has obtained prior written consent from the municipal council as per the Code of Conduct, Schedule 5, contained in the Local Government Municipal Structures Act (Act No 117 of 1998).
- (3) The City will not award business to service providers owned directly or indirectly by politicians serving in National Assembly, Provincial Legislatures and National Council of Provinces unless prior written consent has been obtained from the National Assembly, Provincial Legislature and National Council of Provinces.
- (4) Failure by the above mentioned persons to comply with the above shall lead to cancellation of the contract.

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

- (1) The City does not encourage awarding of contracts by employees in decision-making positions to close family members or friends. To this extent, the City requires of all employees to make full disclosure of businesses owned by close family and / or friends and it is further expected that such individuals must not directly or indirectly be involved in the awarding of such business.

- (2) The notes to the annual financial statements must 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, which particulars shall include:–
- (a) the name of that person;
 - (b) the capacity in which that person is in the service of the state; and
 - (c) the amount of the award.

32. HANDLING PROPRIETARY INFORMATION

- (1) All information designed and prepared for the City is deemed as proprietary. No such information may be distributed, modified or customized for third parties without written permission.
- (2) All supplier information shall be treated confidential.
- (3) In appropriate instance, the City may require security clearance and confidentiality agreements to be entered into with suppliers.

33. SPONSORSHIPS

- (1) The City may approve sponsorship promised, offered or granted by prospective service provider/s that has been awarded a contract by the City. Approval of such sponsorships may only be done through the Executive Acquisition Committee. Sponsorship must not be used by service providers to influence award of business under consideration. The City will not consider any sponsorship offering from service providers whilst there is business under consideration where the service provider is one of the bidders. By the same token acceptance by the City of a service provider's sponsorship is no guarantee of future business.

34. APPEAL PROCESS & RESOLUTIONS OF DISPUTES

- (1) Persons or service providers aggrieved by decisions or actions taken in the implementation of Supply Chain Management system or in the awarding of business, may, within 14 days of the decision lodge a written complaint to the City Manager detailing the following:-
 - (a) The tender/bid or the quotation reference number;
 - (b) The part of the City Policy, Regulations or Act that has been violated;
 - (c) The details of the violation;
 - (d) The department or region or utilities involved;
 - (e) Relief sought.

- (2) The City Manager may appoint an independent or impartial person, from outside or within the City, to investigate and propose the dispute resolution. The person so appointed must be someone who was not involved in the transaction in question.
- (3) The City may appoint an ombudsman on an 'as and when' required basis to investigate complaints submitted. The duties and functions of such a person will be contained in the Terms of Appointment.
- (4) Disputes relating to running contracts or completed contracts will be resolved strictly according to the disputes resolution mechanism provided for in the contract document.
- (5) The aggrieved party has the right to submit disputes not resolved by the City within 60 days to the Provincial or National Treasury.
- (6) Provisions of this paragraph do not prohibit or infringe on the rights of any party to approach the Court of Law regarding the dispute in question.

35. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER (PROCEDURE)

- (1) Should the compensation payable to any service provider be determined as an agreed percentage of turnover for the service rendered or the amount collected

on behalf of the City, the contract between the service provider and the City must:–

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

ANNEXURE A

CODE OF ETHICAL CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

1. Purpose

- 1.1 The purpose of this Code of Conduct is to ensure that all business transactions take place in an environment of honesty, integrity, fair competition and respect for South African Laws. This Code outlines the City's expectations from all its employees and service providers who participate, directly or indirectly, in the Supply Chain Management activities. The main aim is 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.
- 1.2 Failure to adhere to this Code is inexcusable and punishable by the City.

2. General Principles

- 2.1 The City commits itself to a policy of fair dealing and integrity in the conducting of its business. Employees and other role players involved in Supply Chain Management (SCM) are in a position of trust, implying a duty to act in the public interest. Employees and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.
- 2.2 Employees and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

- 2.3 Employees and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

3. Employee Ethical Conduct

- 3.1 An employee or other role player involved with Supply Chain Management:-

- (i) must treat all providers and potential providers equitably;
- (ii) may not use his or her position for private gain or to improperly benefit another person;
- (iii) must not infer with Supply Chain Management processes and system in order to influence the outcome of an award by tempering with any price quotations and bids;
- (iv) must keep all information, including service providers information, as confidential. Only the duly authorized official will communicate the outcome of the bidding process;
- (v) must not be soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters;
- (vi) must not exploit errors in price quotations / bids;
- (vii) 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;
- (viii) must declare to the City Manager 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 and record them on the declaration register to be kept by each manager and signed off on quarterly basis by the respective delegated employee;

- (ix) must declare to the City Manager 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, or in any award of a contract by the City ;
- (x) 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;
- (xi) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (xii) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties;
- (xiii) should not take improper advantage of their previous office after leaving their official position; and
- (xiv) Employees must report to the City Manager any alleged irregular conduct in the Supply Chain Management system which that person may become aware of, including:-
 - (a) any alleged fraud, corruption, favouritism or unfair conduct;
 - (b) any alleged contravention of the policy on inducements, rewards, gifts and favours to the City or UAC's, employees or other role players; and
 - (c) any alleged breach of this code of conduct.

3.2 The City is committed to the highest standard of integrity and any official transgressing this code will be dealt with in accordance with the City's Disciplinary code of conduct.

4. Record Keeping

- 4.1 Every Head of Department must keep an up to date gift register and record of all declarations made by the employees with regards to:-
- (a) Business interest held by the employees;
 - (b) Business interest held by the family members;
 - (c) Interest in a business transaction where conflict of interest exist
- 4.2 The City Manager must keep record of all declarations.

5. Service Providers Ethical Conduct

- 5.1 Service providers, are expected to assist the City in enforcing good ethical conduct from its employees and:-
- (a) must not induce or reward the employees for contract awarded or to be awarded;
 - (b) must not put undue pressure on employees;
 - (c) must not assist or offer financial relief to employees in financial difficulties;
 - (d) must not request from employees information about the City's operations or competitors information; and
 - (e) must not offer favours or hospitality to employees of which the value thereof is above R350.
- 5.2 Service providers are expected to comply with this policy fully and failure to do so will lead to barring or black listing from doing business with the City. The names of service providers defaulting will be submitted to National Treasury for black listing.