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MATATIELE LOCAL MUNICIPALITY

**PROCUREMENT POLICY**

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## 1. INTRODUCTION

As trustees of public funds, Councillors and officials of the Matatiele Municipality have an obligation to ensure that resources are managed in the most efficient and effective manner possible. A determining factor in meeting this obligation is ensuring that when the Municipality procures goods and services, it does so in accordance with a system that is fair, equitable, transparent, competitive and cost effective.

## 2. OBJECTIVE

The objectives of the Procurement Policy are:

- 2.1 To create a procurement system that is uniform within the Municipality.
- 2.2 To clarify procurement definitions.
- 2.3 To eliminate fraud or any other irregularities in the procurement of goods and services.
- 2.4 To outline the code of conduct for Municipal staff.

## 3. PROCESS FOR REQUESTING PROCUREMENTS

All requests for the procurement of goods and services shall be submitted in writing by the head(s) of departments concerned to the Chief Financial Officer.

All such requests shall clearly specify the nature and, where applicable, quantity or duration, as the case may be, of the goods and services required, shall avoid the use of brand names and further avoid the use of specifications aimed at procuring goods or services provided by only specific suppliers, shall bear the certification by the official responsible for budgetary 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 annual budget(s) for the ensuing financial year(s), and shall 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.

No request for any procurement of goods and services shall be considered if it does not comply with the foregoing requirements.

The Chief Financial Officer shall duly check to ensure that the request complies with all the foregoing requirements, and shall thereafter process the request in accordance with the applicable procedures set out below.

#### 4. PROCUREMENTS FROM PETTY CASH

Procurements may be made from petty cash up to a maximum value per transaction of R1 750 plus VAT (R2 000 inclusive of VAT).

Directives for petty cash procurements, including the maintenance of and maximum value of petty cash floats, the accounting procedures in respect of such floats and procurements, the frequency with which reimbursements in regard to such floats may be processed, and the minimum acceptable documentation required to support any applications for such reimbursement, shall be issued from time to time by the Chief Financial Officer acting in terms of the council's policy on banking and investments. Such directives shall also specify the level of official, in each department to which a petty cash float has been issued, who may authorise applications for reimbursement.

No procurements may be made from petty cash in respect of items which may be drawn from any municipal store.

Procurements from petty cash may be made only if there is sufficient and appropriate provision in the budget of the relevant department for such purchase.

In making petty cash purchases, the authorised official concerned must firstly approach one or more of the municipality's accredited service providers, unless the item(s) to be procured are not among the commodities available on the list of such providers.

#### 5. ORAL OR WRITTEN QUOTATIONS

Where the estimated value of the request exceeds R1 750 plus VAT (R2 000 inclusive of VAT) but does not exceed R8 750 plus VAT (R10 000 inclusive of VAT), oral or written

quotations shall be invited by the Chief Financial Officer from suitable providers listed on the municipality's database of accredited providers.

The invitation to provide oral or written quotations shall be extended to at least 3 different providers on this list. If it is not possible to obtain 3 such quotations, the reasons for such failure shall be recorded and reported as required at least quarterly. If there are more than 3 suitable providers on the database, the Chief Financial Officer shall invite quotations on a rotational basis.

The Chief Financial Officer shall then record the names of the potential providers who have submitted quotations, as well as the prices quoted.

The Chief Financial Officer shall thereafter award the quotation to the provider who has quoted the lowest price and whose quotation complies or substantially complies with the specification contained in the relevant request. The final order shall be placed only against a written confirmation of the quoted price from the selected provider, if only an oral quotation was given.

If no provider on the list of accredited providers is able to provide a quotation which is to specification or substantially to specification the Chief Financial Officer may invite oral or written quotations from service providers who are not on the accredited list, provided the procedures as set out above are in all other respects complied with, and the relevant criteria for accreditation are met.

## 6. FORMAL WRITTEN QUOTATIONS

For requests with an estimated value exceeding R8 750 plus VAT (R10 000 inclusive of VAT) up to R175 000 plus VAT (R200 000 inclusive of VAT), the Chief Financial Officer shall invite formal written quotations.

The Chief Financial Officer shall orally and/or in writing invite at least 3 providers from the relevant section of the list of accredited providers to submit such written quotations in cases where the estimated value of the request does not exceed R26 000 plus VAT (R30 000 inclusive of VAT). Where the estimated value of the request exceeds

R26 000 plus VAT, the invitation shall also be placed for at least 7 days on the website of the municipality as well as on the notice boards referred to under Section 3 above.

Where there is a large number of accredited providers listed under the appropriate section of the database, the Chief Financial Officer shall promote ongoing competition among such accredited providers by inviting quotations on a rotational basis.

If it is not possible to obtain 3 written quotations, the reasons for such failure shall be considered, and – if acceptable – approved, by the Chief Financial Officer before any further stage of the procurement process is implemented.

If there are no suitable providers on the accredited list, the Chief Financial Officer may invite written quotations from other service providers, providing that all other requirements of the process are complied with, and the criteria for accreditation are met.

The invitation to submit formal written quotations shall state the date and time by which such quotations must be submitted, as well as the office or person to which the quotation must be provided. The invitation shall further indicate whether quotations are acceptable in electronic format and/or by facsimile.

The chief shall record the names and prices of all formal written quotations received.

The Chief Financial Officer shall then award the formal written quotation to the bidder whose quotation is the lowest to specification or substantially to specification, provided the Chief Financial Officer is satisfied that such quotation offers the municipality proper value for money.

## 7. TENDERS

Tenders shall be invited by the Chief Financial Officer for all requests for the procurement of goods and services with an estimated value above R175 000 plus VAT (R200 000 inclusive of VAT) and for requests where the envisaged contract to be awarded will extend over more than 1 year.

Such invitation to tender shall be made by means of a public advertisement placed in at least one newspaper circulating in the province and/or locally and at least one newspaper circulating nationally, as well as on the municipality's website and on the various municipal notice boards as set out in Section 3 above.

The advertisement shall include the specification for the goods or services required, as prepared in terms of Section 11 below, and shall indicate that, unless the prospective tenderer is already on the municipality's list of accredited service providers and the bid documentation already lodged is complete and up-to-date, tenders will only be considered if they are accompanied by the duly completed bid documentation as referred to in Section 3 and 4 above.

The invitation shall in addition indicate whether and where the prospective tenderers must attend any compulsory briefings and/or site inspections, and the dates and times of such events.

The advertisement shall further indicate the closure date and time for the submission of tenders, and such date shall be not less than 14 days from the date on which the advertisement is first placed. In the case of tenders with an estimated transaction value in excess of R8 750 000 plus VAT (R10 million inclusive of VAT) or where the envisaged contract to be awarded will extend over more than 1 year, the closure date shall be not less than 30 days from the date on which the advertisement is first placed.

The invitation shall stipulate that for any tender to be considered, it must be placed in the tender box(es) provided by the Chief Financial Officer for this purpose, the location of which shall be clearly specified in the advertisement.

The Chief Financial Officer shall ensure that the tender boxes are opened in public at or as soon as possible after the time for submission of tenders expires.

Any bidder or member of the public present at such opening may request the Chief Financial Officer, who shall comply with such request, to read out the names of the tenderers who have submitted tenders timeously, and – if it is practical to do so – also each tenderer's tendered price.

The Chief Financial Officer shall thereafter record in a register kept for this purpose the names of all tenderers who have submitted their tenders timeously and in accordance with the specified requirements set out in the invitation to tender, and shall make this register available for public inspection, as well as publish the entries in the register and the subsequent results of the tendering process on the municipality's website and on the notice boards referred to above. If a tender has been timeously submitted, but is defective in one or other way, the nature of such defect shall be entered in the register, and shall also be endorsed on the tender envelope.

The preparation of specifications for tenders, as well as their evaluation, adjudication and approval shall take place in accordance with the procedures set out in the Supply Chain Management Policy.

#### 8. PROHIBITED ACTIONS

No head of department shall in placing a requisition for the procurement of goods and services split into parts or items of a lesser value any part of such intended procurement in order to circumvent the threshold values which are specified respectively for oral/written and formal quotations and tenders, as set out above.

In addition, no head of department in placing such requisition shall knowingly understate the requirements or the estimated value of the requirements or the estimated duration of any contract to be awarded with the intention of so circumventing the relevant bidding procedures.

The Municipal Manager shall promptly institute disciplinary proceedings against any head of department or other official reasonably suspected of infringing these requirements.