



## **PART 2**

### **SCM Policy for Infrastructure Procurement and**

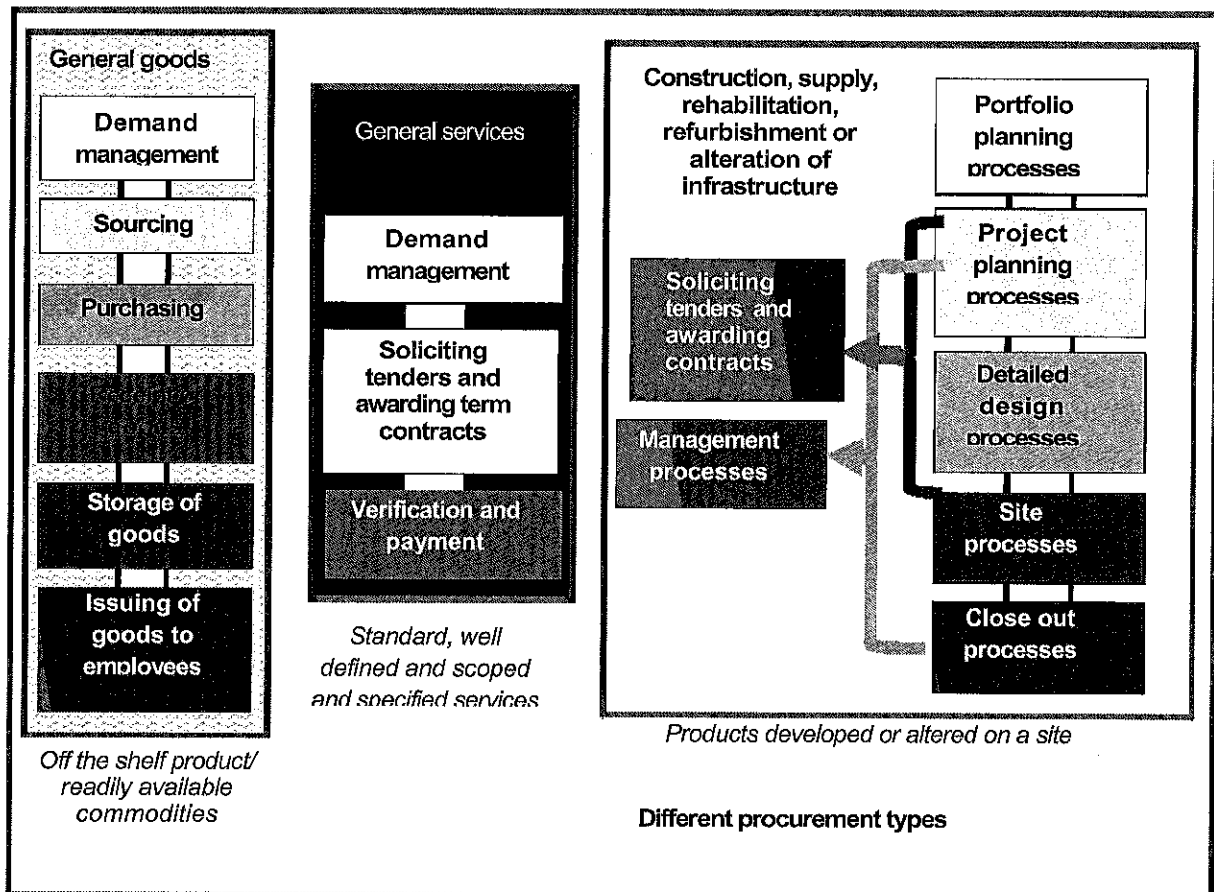
### **Delivery Management**

## **Preface**

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to

be taken into storage prior to being issued to employees. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.

In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are



required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Procurement is the process which creates, manages and fulfils contracts. Procurement deals with activities surrounding contracts. Such processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts. On the other hand, supply chain management (SCM) is the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof. Supply chains comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects. Accordingly, supply chain

management is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain

Infrastructure is defined as *"immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets"* while infrastructure delivery is defined as *"the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure."* Accordingly, infrastructure delivery management contextualises the supply chain management system for infrastructure.

Understandably, there are several overlaps between the supply chain management system for general goods and services and that for infrastructure delivery management. However, the inclusion of control frameworks in the Standard for Infrastructure Procurement and Delivery Management is aimed at expenditure control and a reduction in the gap between what is planned and budget for and what is delivered to ensure that value for money is achieved.

The primary purpose of this document is to embed an infrastructure delivery management system for Ngqushwa Local Municipality which is aligned with the regulatory framework for public sector procurement, supply chain management and expenditure control. It also enables the National Treasury Standard for Infrastructure Procurement and Delivery Management to be implemented.

# Ngqushwa Local Municipality's SCM Policy for Infrastructure procurement and delivery management

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## 1 Scope

This policy establishes the Ngqushwa Local Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Ngqushwa Local Municipality which are stored and issued to contractors or to employees;
  - b) the disposal or letting of land;
  - c) the conclusion of any form of land availability agreement;
  - d) the leasing or rental of moveable assets; and
- 2 e) public private partnerships.

## Terms, definitions and abbreviations 2.1 Terms

### and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

**agent:** person or organization that is not an employee of Ngqushwa Local Municipality that acts on the Ngqushwa Local Municipality's behalf in the application of this document

**authorised person:** the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

**conflict of interest:** any situation in which:

- a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,
- b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or
- c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

**contract manager:** person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

**family member:** a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption



**framework agreement:** an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

**gate:** a control point at the end of a process where a decision is required before proceeding to the next process or activity

**gateway review:** an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

**gratification:** an inducement to perform an improper act

**infrastructure delivery:** the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

**infrastructure procurement:** the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

**maintenance:** the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

**operation:** combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

**order:** an instruction to provide goods, services or any combination thereof under a framework agreement

**organ of state:** an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

**procurement document:** documentation used to initiate or conclude (or both) a contract or the issuing of an order

**principal:** a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

**standard:** the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

**working day:** any day of a week on which is not a Sunday, Saturday or public holiday

### **3**

#### **2.2 Abbreviations**

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

#### **General requirements<sup>1</sup> 3.1**

##### **Delegations**

**3.1.1** The council of Ngqushwa Local Municipality hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- (g) cost of the procurement process itself;
- (h) whether supply chain objectives are consistent with national government's policies;
- (i) increasingly alignment of material construction standards with international best practice;
- (j) observance of principles of co-operative governance; and
- (k) reduction of regional economic disparities are promoted.

**Performance evaluation of the services provided by a contractor / service provider / supplier contracted by the Municipality**

94. (1) Performance targets are identified as part of the initial planning for a contract, and set out in the business case and request for bid documentation. Targets are generally associated with cost, timeliness and the quality of products and services to be purchased as the outputs of the contract.
- (2) The project manager together with the contract management officials are expected to monitor and evaluate the contractor's performance. This is essential in determining whether the requirements are being met and to avoid any future conflicts over unsatisfactory performance.
- (3) Contractors should be required to report to the project manager on progress in accordance with the agreed timeframes and review schedules. The project manager must inform the contractor in writing where there is evidence that the contractor's performance is inadequate or behind schedule. If there is continuing concern that obligations are not being met, advice should be sought immediately from the Bid Adjudication Committee.
- (4) Disputes must be resolved promptly and not be allowed to escalate into costly legal battles.
- (5) A copy of all performance reports and reports on contract outcomes should be forwarded to the SCM Unit. The SCM Unit must ensure that these reports are available for reference purposes to staff inquiring about a contractor's performance.

- (7) When the Municipality has to satisfy its need through another provider (for the contractor's expense), the loss to NLM must always be restricted to the minimum since it is difficult to justify the recovery of unreasonable additional costs from the contractor.
- (8) Record must be kept by the SCM Unit of details of all cases of non-performance by contractors. If rejected supplies are in the possession of the NLM, the contractor must be requested to collect the supplies at his/her own expense, failing which the goods will be sent back and the cost will be for the contractor's account.

- (3) Appropriate risk management conditions should therefore be incorporated in contracts.

### **Key principles**

**98.** The key principles of managing risk in supply chain management include:

- (1) early and systematic identification of risk on a case-by-case basis, analysis and assessment of risk, including conflicts of interest and the development of plans for handling them;
- (2) allocation and acceptance of responsibility to the party best placed to manage such risk;
- (3) management of risk in a pro-active manner and the provision of adequate cover for residual risks;
- (4) assignment of relative risks to the contracting parties through clear and unambiguous contract documentation;
- (5) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it; and
- (6) ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the Municipality's operations.

### **Guidelines**

**99.** The Municipality shall demonstrate that in its supply chain management:

- (1) there exists a systematic approach to identifying risks including potential conflicts of interest, analyzing their possible likelihood, impacts and consequences and managing those risks as the project proceeds through the phases of pre-bid, post-bid and contract management;
- (2) the integrity and correctness of the process of risk identification analysis, assessment and treatment is such that the relevant municipal department can demonstrate the scope of the risk analysis is appropriate for the stated objectives;

- (b) to investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this policy, and when justified:
  - (i) take appropriate steps against such official or other role player; or
  - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) to check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (d) to reject any bid from a bidder:
  - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the Municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
  - ⌀ who during the last five years has failed to perform satisfactorily on a previous contract with the Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) to reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) to cancel a contract awarded to a person if —
  - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
  - ⌀ an official or other role player committed any corrupt or fraudulent act during the bidding process or the

- (b) cancel the contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;
- impose a financial penalty more severe than the theoretical financial preference associated with the claim which was made in the bid; and
- (c) restrict the contractor, its shareholders and directors from obtaining business from any organ of state for a period not exceeding 10 years.

(d) **Insurance**

103. (1) The accounting officer must ensure that steps are taken to:

- (a) insure the Municipality against procurement related risks; establish risk
- (b) management programmes; and
- (c) make advance provision for losses associated with such risks.

② The accounting officer shall further ensure that insurance related excesses do not cause the failure of emerging small and micro enterprises.

**Guarantees**

104. (1) The Municipality must adhere to the following general principles with regard to performance guarantees:
- (a) the aforestated performance guarantees must be commensurate with the degree of contractual risk to which the Municipality will be exposed;
  - (b) in the case of large and complex contracts, performance guarantees must be requested in order to discourage the submission of irresponsible bids; and,
  - (c) the risk of failure must be distributed between the contracting parties and should be managed so that the Municipality's costs resulting from any such failure are recoverable.

- (2) The declaration of interest must be completed by the following persons:
- (a) all officials involved in the evaluation or approval of a bid;
  - (b) all suppliers, service providers or consultants who are involved in the preparation of bid documentation and bid reporting; and,
  - (c) any other person who played a role in the preparation, specification, evaluation and approval of a bid and who has an interest in the award thereof.

#### **107. General risk management**

For purposes of establishing general risk management measures, the Municipality must apply the following principles:

- (a) business plans, where applicable, will be required for approval prior to the commencement of all projects;
- (b) feasibility or design reports will be required by the NLM before bids for projects are called;
- (c) bid documents will be specific and detailed;
- (d) applicable project standards must be made available for public perusal;
- (e) officials must ensure time, cost and quality control while projects are being implemented;
- (f) where applicable, bidders must obtain public liability insurance to cover the NLM; and,
- (g) variation orders will only be approved by the accounting officer or a duly delegated NLM official, subject to the provisions of Chapter 16 of this policy.

#### **108. Surety**

- (1) Sureties must be obtained in respect of construction projects,

classified as follows:

AMOUNT	PERCENTAGE
R300 000	Nil



R300 001-R1 000 000	2.5%
R1 000 001-R3 000 000	5%
R3 000 001-R5 000 000	7.5%
R5 000 001- and above	10%

- (2) In the event that a contractor is unable to raise the required surety,
- (h) the Municipality may allow such surety to be deducted in full or part from monies that are to become due to the contractor, in which event this shall be effected by way of deductions from the first three [3] payment certificates issued in favour of the contractor.
  - (i) ~~g~~ The Municipality may waive the requirement for a surety on
  - (j) construction contracts that are estimated to be equal to or lower than R1 000 000.
  - (k) ~~g~~ With regard to the waiving of sureties:
  - (l) (a) this may be permitted to assist emerging and HDI entrepreneurs in the small works sector of the construction industry;
  - (m) (b) it may further be permitted where a surety, a performance guarantee or funds cannot be obtained with the assistance of the Eastern Cape Development Corporation (ECDC) or a similar institution, provided that a written indication thereof is submitted to the Municipality; and,
  - (n) (c) the Municipality may bear the risks associated with such waiver in order to promote emerging and HDI entrepreneurs.
  - (o) ~~g~~ No contractor, supplier or service provider may be permitted to
  - (p) undertake more than two contracts simultaneously where sureties have been waived.
  - (q) ~~g~~ Sureties will be released from their obligations upon their application
  - (r) to the Municipality and provided that the Municipality is satisfied that the contract has been completed satisfactorily.

## Retention

- 109. (1)** A percentage of the costs in respect of construction contracts must be set aside as retention funds.
- (2) No more than 10% of the value of the construction contract must be set aside for purposes of subsection (1).
- (s) (3) With regard to the release of retention funds:
  - (a) half of the retention funds shall be released upon the issue of
  - (t) a completion certificate; and,
  - (u) (b) the balance of the retention funds shall be released upon
  - (v) completion of the defects liability period.

## Cessions

- 110. (1)** A cession agreement may be concluded by the Municipality, a
- (w) contractor, supplier, service provider or financial institution and any other third party in order to assist emerging and HDI entrepreneurs.
  - (x) (2) The municipality will allow a financial institution to assist a contractor, supplier or service provider to implement projects on behalf of the employer.
  - (y) (3) When entering into a cession agreement for bridging finance, bridging finance will be restricted to a maximum of 80% of the total contract value,

- (z) (g) The conclusion of a cession agreement shall be approved at the
- (aa) discretion of the accounting officer.

#### **Prohibition on awards to persons whose tax matters are not in order**

- (bb) 111. (1) The accounting officer must ensure that, irrespective of the
- (cc) procurement process followed, no award is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (dd) (g) Before making an award to a person the accounting officer must first
- (ee) check with SARS whether that person's tax matters are in order.
- (ff)
- (gg) (3) If SARS does not respond within seven (7) days such person's tax
- (hh) matters may for purposes of subsection (1) be presumed to be in order.

#### **Prohibition on awards to persons in the service of the state**

112. The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person —

- (ii) (a) who is in the service of the state;
- (jj) (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (kk) (c) who is an advisor or consultant contracted with the Municipality.

#### **(ll) Awards to close family members of persons in the service of the state**

- (mm) 113. 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, including —
- (nn) (a) the name of that person;
- (oo) (b) the capacity in which that person is in the service of the state; and
- (pp) (c) the amount of the award.

#### **Compliance with ethical**

##### **standards**

- (qq) 114. (1) In order to create an environment where business can be conducted
- (rr) with integrity and in a fair and reasonable manner, the NLM will strive to ensure that the accounting officer and all representatives of the Municipality involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.
- (ss) (g) All municipal representatives shall adhere to the code of conduct for
- (tt) municipal staff contained in Schedule 2 of the Municipal Systems Act and the NLM's Code of Ethical Standards.
- (uu)
- (vv) (g) A Code of Ethical Standards is hereby established, in accordance with

- (ww) subsection (2), for officials and other role players in the supply chain management system in order to promote:
- (xx) (a) mutual trust and respect; and
- (yy) (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (zz) (4) An official or other role player involved in the implementation of the
- (aaa) supply chain management policy —
- (bbb) (a) must treat all providers and potential providers equitably;
- (ccc) (b) may not use his or her position for private gain or to improperly benefit another person;
- (ddd) (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person;
- (eee) (d) notwithstanding subsection (4)(c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (fff) (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
- (ggg) (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (hhh) (g) must be scrupulous in his or her use of property belonging to the Municipality;
- (iii)
- (jjj) (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- (kkk) (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including —
- (lll) (l) any alleged fraud, corruption, favouritism or unfair
- (mmm) conduct;
- (nnn) (ii) any alleged contravention of subsection 103(1) of this policy; or
- (ooo) (iii) any alleged breach of this Code of Ethical Standards.
- (ppp) (5) The Municipality shall ensure that:
- (qqq) (a) all declarations in terms of subsections (4)(d) and (e) must be recorded in a register which the accounting officer must keep for this purpose;
- (rrr) (b) all declarations by the accounting officer must be made to the executive mayor of the Municipality who must ensure that such declarations are recorded in the register; and
- (sss) (c) appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.

#### **Inducements, rewards, gifts and favours to the Municipality, officials and other role players**

- 115. (1)** No person who is a provider or prospective provider of goods or

services to the Municipality, or a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality, may either directly or through a representative or intermediary promise, offer or grant:

- (a) any inducement or reward to the Municipality for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to:
  - Ø any official; or

- (i) any other role player involved in the implementation of the supply chain management policy.

(2) The accounting officer must promptly report any alleged contravention of subsection (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subsection (1) does not apply to gifts less than R350 in value. **Sponsorships**

116. The accounting officer must promptly disclose to the National Treasury and the provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:

- (a) a provider or prospective provider of goods or services to the Municipality; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality.

#### **Objections and complaints**

117. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

#### **Resolution of disputes, objections, complaints and queries**

118. (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes:

- (a) to assist in the resolution of disputes between the Municipality and other persons regarding:
  - (i) any decisions or actions taken in the implementation of the supply chain management system; or

- (i) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must:
  - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the provincial treasury if:
  - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
  - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This section must not be read as affecting a person's rights to approach a court at any time.

#### **Contracts providing for compensation based on turnover**

**119.** If a service provider acts on behalf of a Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate:

- (a) a cap on the compensation payable to the service provider; and

(b) that such compensation must be performance based.

## **CHAPTER 11 CONTRACTS MANAGEMENT**

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### **The contract management process**

120. The accounting officer must develop and implement mechanisms to effectively manage important aspects relating to contracts awarded through the supply chain management system of Council. A Municipality cannot operate at all without entering into contracts on a regular basis and the obligations and rights created by the conclusion of these contracts should be managed in order to protect the interests of both the Municipality and the other contracting party.

### **The concept of contract management**

121. Contract management consists of the process that enables the Municipality, as a party to a contract, to protect its own interests and to ensure that it complies with its duties, as agreed upon in the contract. Non-performance or inadequate performance of these will compromise the municipality's legal position and will have a detrimental impact on the effectiveness of the Municipality, with related financial losses.

The process to manage contracts properly involves the following distinct aspects: the administration process, and the delivery or performance process.

#### **(1) The administration process**

This process encompasses the totality of the administrative management of contracts, which includes the following:

##### **The co-ordination of all activities relating to contracts (a)**

##### **Centralised control point**

This is normally performed by the Corporate Services Department, which takes full responsibility as main contact point between the parties to the contract, on the one hand, and as contact point between the functionaries of the Municipality, on the other. All the following matters will thus be handled at the central point, namely:

- enquiries;



- liaison; and
- correspondence.

**(b) Centralised registering point**

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

- [i] name of party;
- [ii] type of contract (lease, loan, encroachment, etc);
- [iii] date concluded (this refers to the date on which the contract comes into operation and not the date of signing of the contract);
- [iv] date of expiry; and
- [i] action date (this indicates the ideal date on which action must be taken in order to either renew the existing contract or to implement appropriate action prior to termination of the contract).

The contract register must be kept electronically and in alphabetical order. All new contracts that have been entered into must immediately be recorded in the register. Contracts that have expired or no longer exist for whatever reason must be removed from the register and be recorded on a register or list for canceled or terminated agreements.

**(c) Reproduction and distribution of contracts** Once a contract is

signed copies must be made and: [i] be placed in the relevant file;

- [ii] be furnished to relevant departments under cover of a memorandum. If, for example, the contract places a duty on the Budget and Treasury Office and the Engineering Services Department, copies must be furnished to those departments;

- [iii] the original document must be dealt with as indicated in subsection (1)(d) below; and
- [iv] an original contract must be furnished to the other party.

**(d) Safekeeping of contracts**

- [i] The original contract must always be archived centrally.
- [ii] It must be placed in a special file separate from other documents, which must be stored in a locked cabinet that is situated in a strong room.
- [iii] Only one official must exercise control over original contracts.
- [iv] Original contracts should preferably not be made available to persons other than the parties to the contract. If a third party is authorized to have sight of the contract, such third party must sign for receipt of the contract.

**(e) Contract formalisation**

- (1) On the award of a bid or quote the Acquisition Section shall forward the original submission together with details of the award to the Contract Administration Section.
- (2) The Contract Administration will review the contract data and record the award.
- (3) On notification of the award of contract the Contract Administration Section and Legal Services will invite the authorised representative of the successful vendor, whose signature appears on the Resolution of Board of Directors, to attend a meeting where the following shall take place: a. review of contract data;

- b. submission of a surety, if any, in the amount stated in the Form of Guarantee;
- c. submission by the vendor of contractual insurances, if any, for the various aspects and in the amounts stated in the bid or quotation document;
- d. submission by the vendor of any other document and/or information stated in the bid or quotation document as a prerequisite for commencement of the contract; and
- e. signature by the authorised representative of the successful vendor and a witness of all contractual documents.

(4) After the meeting, the Contract Administration Section will forward the documentation to the Legal Services Unit. Upon receipt of the documentation Legal Services shall take the following steps:

- a. in the case of infrastructure related contracts; ensure that the "acceptance" portion of the Form of Offer and Acceptance is signed on behalf of the "Employer" by the official with the delegated authority; or
- b. in the case of all other categories of acquisition, ensure that the Part 2 of the Contract Form : Purchase of Goods/Works or Contract Form : Rendering of Service is signed on behalf of the "Employer" by the official with the delegated authority.

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and

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1 This clause is required to ensure that the standard is linked to the policy and aligned with the MFMA SCM Regulations.

- d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

**3.1.2** No departure shall be made from the provisions of this policy without the approval of the of Ngqushwa Local Municipality Council <sup>2</sup>

**3.1.3** The Municipal Manager shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this the policy and the equivalent policy of any municipal entity under the sole or shared control of the Ngqushwa Local Municipality, to the council of the Ngqushwa Local Municipality <sup>3</sup> / within 20 days of the end of each financial year, submit a report on the implementation of this policy to the board of directors, who must then submit the report to the municipal manager of Ngqushwa Local Municipality for submission to the council;
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council <sup>4</sup>, who must then submit the report to the municipal manager of Ngqushwa Local municipality for submission to the council;
- c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the mayor/council; and
- d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

### **3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management**

**3.2.1** Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition if the National Treasury Standard for Infrastructure Procurement and Delivery Management.<sup>5</sup>

**3.2.2** Pre-feasibility and feasibility reports are required on ..... <sup>6</sup>

**3.2.3** Stage 3 to 7 are required for ..... <sup>7</sup>

### **3.3 Supervision of the infrastructure delivery management unit<sup>8</sup>**

The Infrastructure Delivery Management Unit shall be directly supervised by the *head of Technical Services Department*.

### **3.4 Objections and complain**

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SCM Regulation 36 of the MFMA permits deviations from, and ratification of minor breaches or procurement processes.

Persons aggrieved by decisions or actions taken in the implementation of this policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

### **3.5 Resolution of disputes, objections, complaints and queries<sup>10</sup>**

**3.5.1** The Municipal Manager or delegated person shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the municipality and other persons regarding:

- a) any decisions or actions taken in the implementation of the supply chain management system;
- b) any matter arising from a contract awarded within the Ngqushwa Local Municipality infrastructure delivery management system; or
- c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

**3.5.2** The designated person shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

**3.5.3** The person appointed in terms of 3.5.1 shall:

- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- b) submit monthly reports to the municipal manager on all disputes, objections, complaints or queries received, attended to or resolved.

**3.5.4** A dispute, objection, complaint or query may be referred to the *[name of applicable treasury]* if:

- a) the dispute, objection, complaint or query is not resolved within 60 days; or
- b) no response is forthcoming within 60 days.

**3.5.5** If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

#### **4 Control framework for infrastructure delivery management<sup>11</sup>**

##### **4.1 Assignment of responsibilities for approving or accepting end of stage deliverables<sup>12</sup>**

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

##### **4.2 Additional gates<sup>13</sup>**

The following additional gates shall apply:

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<sup>10</sup> This clause aligns with SCM Regulation 50 issued in terms of the MFMA.

<sup>11</sup> This clause is required to ensure compliance with the requirements of the standard.

<sup>12</sup> The terms "approve" and "accept" have the meanings "officially agree to" and "receive as adequate, valid, or suitable give an affirmative answer to a proposal", respectively. Approvals will typically take place at a senior management level whilst acceptances can be made at a lower level. Approvals and acceptances can be granted by individuals or committees.

Where a municipality or municipal entity implements a project on behalf of an organ of state, acceptance ! approval of end of stage deliverables may have to be granted in consultation with such an organisation. Alternatively it may be assigned to a party to an agency agreement developed in accordance with the provisions of clauses 5.2 of the standard. As a result, Table 1 may have to differentiate between own infrastructure and client institution's infrastructure. It may also have to differentiate between the value and type of projects.

13 Clause 4.1.1.7 of the standard permits the inclusion of additional gates, if deemed necessary. This is an optional provision. The compiler of the policy should either delete this provision or describe the additional gates that are required, what their end of stage deliverable and any requirements associated with deliverables, who approves ! accepts the deliverable etc..

### 4.3 Additional requirements<sup>14</sup>

The following additional requirements apply:

### 4.4 Gateway reviews

#### 4.4.1 Gateway reviews for major capital projects above a threshold

**4.4.1.1** designated person shall appoint a gateway review team in accordance with the provisions of clause 4.1.13.1.2 of the standard to undertake gateway reviews for major capital projects.

**4.4.1.2** The requirements for a gateway review in addition to those contained in section 4.1.13 of the standard are as follows:<sup>15</sup>

#### 4.4.2 Elective gateway reviews<sup>16</sup> Gateway

reviews shall be undertaken . . . . .

**Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery**

Stage			Person assigned the responsibility for approving or accepting end of stage deliverables
No	Name		
0	Project initiation		designated person accepts the initiation report
1	Infrastructure planning		designated person approves the infrastructure plan
2	Strategic resourcing		designated person approves the delivery and / or procurement
3	Pre-feasibility		designated person accepts the pre-feasibility report
	Preparation and briefing		designated person accepts the strategic brief
4	Feasibility		designated person accepts the feasibility report
	Concept and viability		designated person accepts the concept report
5	Design development		designated person accepts the design development report
6	Design documentation	6A	designated person accepts the parts of the production information which are identified when the design development report is
		Production	
		6B	The contract manager accepts the manufacture, fabrication and construction information
	Manufacture , fabrication and		

<sup>14</sup> State additional requirements for any of the stages, as necessary. Sub clause 4.1.1.4 permits a municipality or municipal entity to insist that pre-feasibility and feasibility reports be provided irrespective of the test contained in the standard for determining if such reports contained in the standard suggests otherwise.



16 State optional requirements or delete clause. Gateway reviews may be undertaken by a gateway review team of the deliverables associated with any of the gates in the control framework. Such reviews should preferably take place at gates 4, 5 or 8. They can also be conducted on a random sample basis after the end of stage deliverable has been accepted. Such reviews can capture lessons learned and in so doing improve the quality of future deliverables.

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables
No	Name	
7	Works	The contract manager certifies completion of the works or the <del>delivery of goods and associated services</del>
8	Handover	The owner or end user accepts liability for the works
9	Package completion	The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract  The contract manager certifies final completion in accordance with

## 5

### Control framework for infrastructure procurement<sup>17</sup>

**5.1** The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

**5.2** The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows: 18

- a) designated person shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

## 6

**5.3** The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

### Infrastructure delivery management requirements 6.1 Institutional arrangements

#### 6.1.1 Committee system for procurement<sup>19</sup>

##### 6.1.1.1 General

**6.1.1.1.1** A committee system comprising the documentation committee, evaluation committee and tender committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

**6.1.1.1.2** The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

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<sup>17</sup> This clause is required to ensure compliance with the requirements of the standard.

18 SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. It is not, however, a requirement for such a committee to deal with quotations.

19 SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. A municipality or a municipal entity may require that the tender committee (bid adjudication committee) also deal with quotations

The principle of segregation (an internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task) is dealt with the committee system in the standard as follows:

- procurement gate 3: a technical evaluation of procurement documents and an approval of such documentation;
- procurement gate 5: a technical evaluation of submissions and an authorization to proceed with the next phase of a procurement process; and
- procurement gate 6: a tender evaluation and a recommendation to award a contract.

**6.1.1.1.3** The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.

**6.1.1.1.4** No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee.

**6.1.1.1.5** Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

**6.1.1.1.6** Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

#### **6.1.1.2 Procurement documentation committee**

**6.1.1.2.1** The municipal manager or the appropriately delegated authority e.g. project director shall appoint in writing on a procurement by procurement basis:

- a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the standard; and
- b) the members of the procurement documentation committee.

**6.1.1.2.2** The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Ngqushwa Local Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

**6.1.1.2.3** No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

**Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold**

Activity	Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be	1.3 <b>PG1</b>	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on
2*	Decide on procurement strategy	2.5 <b>PG2</b>	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or	Confirm selection of strategies so that tender offers can be solicited
3	Solicit tender offers	3.2 <b>PG3</b>	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents
		3.3 <b>PG4</b>	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place
4	Evaluate tender offers	4.2 <b>PG5</b>	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations	Review evaluation report, ratify recommendations and authorise progression to the next stage of the
		4.7 <b>PG6</b>	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for
5	Award contract	5.3 <b>PG7</b>	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy
		5.5 <b>GF</b>	Upload data in financial management and payment system	Verify data and upload contractor's particulars

\* Applies only to goods and services not addressed in a procurement strategy developed during stage 2 (strategic resourcing) of the control framework for

## infrastructure delivery management

\_\_\_\_\_ 20 The award of a contract can be linked to contract value. For example, high value contracts may be awarded by the municipal manager or chief executive and lower amounts by different appropriately delegated authorities.

**Table 2 (concluded)**

Activity	Sub-Activity	Key action	Person assigned responsibility to perform key action
6 Administer contracts and confirm compliance with requirements	6.4 PG8	Obtain approval to waive penalties or	designated person
	6.5 PG8	Obtain approval to notify and refer a dispute to an adjudicator	designated person
	6.6 PG8 C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion of the award of a contract or the	designated person or designated persons
	6.7 PG8 D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion of the award of a contract or the	municipal manager or depending upon the value, an appropriately delegated authority
	6.8 PG8	Obtain approval to cancel or terminate a contract	authorised person
	6.9 PG8	Obtain approval to amend a contract	authorised person

21 Stepped thresholds leading up to the 20% and 30% values given in PG8D may be necessary to manage cost and time overruns, respectively, the principle being that approval to exceed these percentages needs to be granted at a more senior level with each increase. For example, the increases for cost overruns could be as follows:

- $\leq 2,5\%$  - contract manager;
- 2,5 to 10% - project director
- $> 10\%$  - appropriately delegated authority



**Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement**

Activity	Key action	Person assigned responsibility to perform key action
1 FG1	Confirm justifiable reasons for selecting a framework contractor where there is more than one	designated person
3 FG2	Obtain approval for procurement documents	designated person
4 FG3	Confirm that budgets are in place	designated person e.g. programme manager or chief financial officer
6 FG4	Authorise the issuing of the order	authorised person

### **6.1.1.3 Evaluation committee**

**6.1.1.3.1** The municipal manager or the appropriately delegated authority e.g. project director shall appoint on a procurement by procurement basis in writing:

- a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and
- b) the members of the evaluation committee.

**6.1.1.3.2** The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Ngqushwa Local Municipality with requisite skills. Other members shall include a supply chain management practitioner<sup>22</sup> and, where relevant, include an official from the department requiring infrastructure delivery.

**6.1.1.3.3** The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax and municipal rates and taxes compliance status;
- c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;
- d) the Compulsory Declaration has been completed; and
- e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

**6.1.1.3.4** No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the procurement documentation committee or a family member or associate of such a member, may be considered by the evaluation committee.

**6.1.1.3.5** The chairperson of the evaluation committee shall promptly notify the **Chief Financial Officer** of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

### **6.1.1.4 Tender committee<sup>23</sup>**

**6.1.1.4.1** The tender committee shall comprise of the members as appointed by the Municipal Manager.

**6.1.1.4.2** No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

**6.1.1.4.3** The tender committee shall:

- a) consider the report and recommendations of the evaluation committee and:
  - 1) verify that the procurement process which was followed complies with the provisions of this document;
  - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
  - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
  - 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

**6.1.1.4.4** The tender committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

**6.1.1.4.5** The tender committee shall consider the merits of an unsolicited offer and make a recommendation to the Municipal Manager.

**6.1.1.4.6** The tender committee shall report to the Municipal Manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

**6.1.1.4.7** The tender committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

**6.1.1.4.8** The tender committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the *Provincial Treasury* shall be informed where such tenderers are disregarded.

## **6.1.2 Actions of an authorised person relating to the award of a contract or an order 6.1.2.1**

### **Award of a contract**

**6.1.2.1** The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the *designated person*, and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or

- b) decide not to proceed or to start afresh with the process.

**6.1.2.2** The authorised person shall immediately notify the designated person if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and *Provincial Treasury*, and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.

#### **6.1.2.3 Issuing of an order**

The authorised person shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the evaluation committee or the designated person, as relevant, and either:

- a) authorise the issuing of an order in accordance with the provisions of clause 4.25 of the standard; or
- b) decide not to proceed or to start afresh with the process.

### **6.1.3 Conduct of those engaged in infrastructure delivery<sup>25</sup> 6.1.3.1**

#### **General requirements**

**6.1.3.1.1** All personnel and agents of Ngqushwa Local Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

**6.1.3.1.2** All personnel and agents engaged in Ngqushwa Local Municipality's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;

- e) ensure that resources are administered responsibly;
- f) be fair and impartial in the performance of their functions;

- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist Ngqushwa Local Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and
- m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

**6.1.3.1.2** An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

#### **6.1.3.2 Conflicts of interest**

**6.1.3.2.1** The employees and agents of Ngqushwa Local Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

- a) disclose in writing to the employee of the Ngqushwa Local Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of Ngqushwa Local Municipality proprietary information.

**6.1.3.2.2** The employees and agents of Ngqushwa Local Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

**6.1.3.2.3** Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Ngqushwa Local Municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) Ngqushwa Local Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

### **6.1.3.3 Evaluation of submissions received from respondents and tenderers**

**6.1.3.3.1** The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;



- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Ngqushwa Local Municipality

**6.1.3.3.2** The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Ngqushwa Local Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

**6.1.3.3.3** Ngqushwa Local Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

#### **6.1.3.4 Non-disclosure agreements**

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Ngqushwa Local Municipality's confidential information and interests.

#### **6.1.3.5 Gratifications, hospitality and gifts**

**6.1.3.5.1** The employees and agents of Ngqushwa Local Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

**6.1.3.5.2** The employees and agents of Ngqushwa Local Municipality as well as their family members of associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

**6.1.3.5.3** The employees and agents of Ngqushwa Local Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

**6.1.3.5.4** All employees and agents of Ngqushwa Local Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;

- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and

- e) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350 unless they have declared them to the municipal manager or delegated official<sup>26</sup>.

**6.1.3.5.5** Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

**6.1.3.5.6** Employees and agents of Ngqushwa Local Municipality shall without delay report to the municipal manager or chief financial officer or appropriately delegated authority any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

#### **6.1.3.6 Reporting of breaches**

Employees and agents of Ngqushwa Local Municipality shall promptly report to the *municipal manager or chief financial officer or appropriately delegated authority* any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

#### **6.1.4 Measures to prevent abuse of the infrastructure delivery system<sup>27</sup>**

The ***Municipal Manager*** shall investigate all

allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the National Treasury and Provincial Treasury of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
  - 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
  - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

#### **6.1.5 Awards to persons in the service of the state<sup>28</sup>**

**6.1.5.1** Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal council, any provincial legislature, or the National Assembly or the

National Council of Provinces;

- b) a member of the board of directors of any municipal entity;
- c) an official of any municipality or municipal entity;
- d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- e) a member of the accounting authority of any national or provincial public entity; or
- f) an employee of Parliament or a provincial legislature.

**6.1.5.2** The notes to the annual financial statements of the municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

#### **6.1.6 Collusive tendering<sup>29</sup>**

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender

shall be rejected.

#### **6.1.7 Placing of contractors under restrictions<sup>30</sup>**

**6.1.7.1** If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards Nggushwa Local Municipality

; or

- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of Ngqushwa Local Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

a designated person shall prepare a report on the matter and make a recommendation to the Municipal Manager for placing the contractor or any of its principals under restrictions from doing business with the *Ngqushwa Local Municipality*.

**6.1.7.2** The Municipal Manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to Ngqushwa Local Municipality for a period of time.

**6.1.7.3** The Supply Chain Management Unit shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Ngqushwa Local Municipality who are engaged in procurement processes; and
- b) notify the National Treasury and *Provincial Treasury* and , if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

### **6.1.8 Complaints**

**6.1.8.1** All complaints regarding the Ngqushwa Local Municipality's infrastructure delivery management system shall be addressed to the *Municipal Manager*. Such complaints shall be in writing.

**6.1.8.2** The Supply Chain Management Unit shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Municipal Manager who will decide on what action to take.

## **6.2 Acquisition management 6.2.1**

### **Unsolicited proposal<sup>31</sup>**

**6.2.1.1** The Ngqushwa Local Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for Ngqushwa Local Municipality;
- d) the offer is in writing and clearly sets out the proposed cost;

- e) the person who made the offer is the sole provider of the goods or service; and
- f) the Municipal Manager finds the reasons for not going through a normal tender processes to be sound.

**6.2.1.2** The Municipal Manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:

- a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the Ngqushwa Local Municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;

- b) the Ngqushwa Local Municipality' has obtained comments and recommendations on the offer from the National Treasury and Provincial Treasury;
- c) the tender committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and Provincial Treasury; and
- d) the provisions of 6.2.1.3 are complied with.

**6.2.1.3** The Municipal Manager shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the Provincial Treasury and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

## **6.2.2 Tax and rates compliance<sup>32</sup>**

### **6.2.2.1 SARS tax clearance**

**6.2.2.1.1** No contract may be awarded or an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

**6.2.2.1.2** In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

**6.2.2.1.3** No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of Ngqushwa Local Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

**6.2.2.1.4** Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to designated person that it intends challenging its tax compliance status with SARS,

- a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a non-

compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

**6.2.2.1.5** The Ngqushwa Local Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e).



#### **6.2.2.2 Municipal rates and taxes<sup>33</sup>**

No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

#### **6.2.3 Declarations of interest**

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Ngqushwa Local Municipality or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

#### **6.2.4 Invitations to submit expressions of interest or tender offers**

**6.2.4.1** All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Ngqushwa Local Municipality's website and on the National Treasury eTender Publication Portal.<sup>34</sup> Advertisements shall be placed by Municipal Manager

**6.2.4.2** Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by Municipal Manager

**6.2.4.3** Where deemed appropriate by the Municipal Manager an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person. Advertisements shall be placed by Municipal Manager.

**6.2.4.4** Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the municipal manager

or the appropriately delegated authority.

**6.2.4.5** Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

#### **6.2.5 Publication of submissions received and the award of contracts<sup>35</sup>**

**6.2.5.1** The designated person shall publish within 10 working days of the closure of any advertised call

for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT on the municipality's or municipal entity's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

**6.2.5.2** The designated person shall publish within 7 working days of the award of a contract the following on the *Ngqushwa Local Municipality's* website

- a) the contract number;
- b) contract title;
- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;
- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

**6.2.5.3** The designated person shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by *designated person*.

**6.2.5.4** The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made by placed by designated person.

#### **6.2.6 Disposal committee**

**6.2.6.1** The municipal manager or the appropriately delegated authority shall appoint

on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

**6.2.6.2** The disposal panel shall comprise not less than three people. The chairperson shall be an employee of Ngqushwa Local Municipality.

**6.2.6.3** The disposal committee shall make recommendations to *designated person* who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

#### **6.3 Reporting of infrastructure delivery management information**

designated person shall submit any reports required in terms of the standard to the National Treasury  
or

Provincial Treasury.

### **Infrastructure procurement**

#### **7.1 Procurement documents**

**7.1.1** The forms of contract that may be used are as follows:

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**7.1.2** The *Nggushwa Local Municipality's* preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by *designated person* prior to being issued for tender purposes.

**7.1.3** Disputes arising from the performance of a contract shall be finally settled in a South African court of law.<sup>38</sup>

**7.1.4** Use of standard access specifications, health and safety specifications etc.]<sup>39</sup>

**7.1.5** The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

- a) consultancy services;<sup>40</sup> and
- b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.<sup>41</sup>

## **7.2 Developmental procurement policy<sup>42</sup>**

The following specific goals shall be proposed

## **..... 7.3 Payment of contractors<sup>43</sup>**

The Nggushwa Local Municipality shall settle all accounts within 30 days of invoice or statement as provided for in the contract.

## **7.4 Approval to utilise specific procurement procedures<sup>44</sup>**

**7.4.1** Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

- a) designated person / committee shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
- b) designated person / committee shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and
- c) the proposal procedure using the two-envelope system, the proposal procedure

using the two-stage system or the competitive negotiations procedure<sup>45</sup>.

**7.4.2** The person authorised to pursue a negotiated procedure in an emergency is *designated person*.

## **7.5 Receipt and safeguarding of submissions<sup>46</sup>**

**7.5.1** A dedicated and clearly marked tender box shall be made available to receive all submissions made.<sup>47</sup>

**7.5.2** The tender box shall be fitted with two locks and the keys kept separately by two designated persons. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

## **7.6 Opening of submissions<sup>48</sup>**

**7.6.1** Submissions shall be opened by an opening panel comprising two people nominated by *[designated persons]* who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

**7.6.2** The opening panel shall open the tender box at the stipulated closing time and:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) return submissions unopened and suitably annotated where:
  - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
  - 2) submissions were submitted by a method other than the stated method,
  - 3) submissions were withdrawn in accordance with the procedures contained in SANS 10845- 3; and.
  - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and

read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;

- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;
- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

**7.6.3** Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

**7.6.4** Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

**7.6.5** Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

#### **7.7 Use of another organ of state's framework agreement<sup>49</sup>**

The Ngqushwa Local Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The municipal manager or delegated official shall make the necessary application to that organ of state to do so.

#### **7.8 Insurances<sup>50</sup>**

**7.8.1** Contractors shall be required to take out all insurances required in terms of the contract.<sup>51</sup>

**7.8.2** The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by *designated person*.

**7.8.3** Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

#### **Table 4: Minimum insurance cover<sup>52</sup>**

Type of insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor)	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5,0 million electrical, mechanical

**7.8.4** The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by designated person.

**7.8.5** SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

**7.8.5** Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the *designated person* in relation to the nature of the service that they provide.

**7.8.6** Ngqushwa Local Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

**7.8.7** Where payment is to be made in multiple currencies, either the contractor or Ngqushwa Local Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

## **7.9 Written reasons for actions taken**

**7.9.1** Written reasons for actions taken shall be provided by a designated person.

**7.9.2** The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

- a) SANS 10845-3, *Construction procurement - Part 3: Standard conditions of tender*, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
- b) SANS 10845-4, *Construction procurement - Part 4: Standard conditions for the calling for expressions of interest*;

as to why a tenderer was not considered for the award of a contract or not awarded a contract.

**7.9.3** Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

#### **7.10 Request for access to information<sup>53</sup>**

**7.10.1** Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the *Ngqushwa Local Municipality's* Information Manual which establishes the procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of Ngqushwa Local Municipality's.

**7.10.2** Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.



### **7.11 Sub-Contraction**

- (a) For all construction awards above R1000 000.00 in value for a municipal project, at least 2 local contractor (s) should be appointed under a main contractor, 10-20% of the work may be subcontracted.

1. Developed By:

Chief Financial Manager *[Signature]*

.....

Signature .....

Date .....

2. Recommended By:

Municipal Manager / (Accounting Officer)

.....

Signature .....

Date .....

Authorized By:

3. Mayor.....

Signature .....

Date .....