

CITY OF MATLOSANA

**ASSETS MANAGEMENT
POLICY
2019/2020**

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

CONTENTS:

1	Objectives	2
2	Background.....	2
3	Definitions	3
4	Statutory and regulatory framework.....	6
5	Responsibilities and accountabilities	6
6	Financial Management	8
	6.2 Approval to Acquire Property Plant and Equipment	8
	6.3 Funding of capital projects.....	8
	6.4 Disposal of property plant and equipment.....	8
7	Internal Controls	9
	7.1 Financial Asset registers.....	9
	7.1.1 Establishment and Management of the Financial Asset Register.....	9
	7.1.2 Contents of the Financial Asset Register.....	9
	7.1.3 Internal Controls over the Financial Asset Registers.....	10
	7.2 Physical Receipting and Management	10
	7.2.1 Responsibilities of the asset manager	10
	7.2.2 Receipt of property plant and equipment.....	10
	7.2.3 The date of acquisition.....	10
	7.3 Transfers to another Asset Manager.....	11
	7.3.1 Permanent transfers to another Asset Manager	11
	7.3.2 Relocation or Reassignment of Property, Plant or Equipment.....	11
8	Management of attractive items	12
	8.1 Management of attractive items	12
9	Management and Operation of property, plant and equipment.....	12
	9.1 Accountability to manage property plant and equipment.....	12
	9.3 Reporting on Emerging Issues.....	12
10	Classification, aggregations & components	13
	10.1 Classification of property plant and equipment.....	13
	10.2 Optional Treatment for Major Component.....	13
	10.3 Recognition of network asset.....	14
11	Accounting for Property, Plant and Equipment.....	14
	11.1 Recognition of property, plant and equipment.....	14
	11.2 Initial measurement	14
	11.3 Donations or exchanges	15
	11.4 Recognition threshold	15
	11.5 Carrying amount on property plant and equipment	15
	11.6 Depreciation	15
	11.7 Initial determination useful life.....	15
	11.8 Review of useful life.....	15
	11.9 Review of depreciation method.....	16
	11.10 Subsequent expenditure on property plant and equipment	16
	11.11 Revaluation of property plant and equipment.....	16
	11.12 Reduction of the carrying amount	16
	11.13 Subsequent increase in recoverable amount	17
	11.15 Accounting treatment on Disposal	17
12	Financial Disclosure.....	17

**CITY OF MATLOSANA
ASSET MANAGEMENT POLICY**

1 Objectivesⁱ

- To ensure the effective and efficient control, utilization, safeguarding and management of City of Matlosana's property, plant and equipment.
- To ensure asset managers are aware of their responsibilities in regards of property, plant and equipment.
- To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation.
- To prescribe the accounting treatment for property, plant and equipment in City of Matlosana including:
 - The criteria for determining the initial cost of the different items of property, plant and equipment,
 - The method of calculating depreciation for different items of property, plant and equipment,
 - The criteria for capitalising subsequent expenditure on property, plant and equipment,
 - The policy for scrapping and disposal of property, plant and equipment,
 - The classification of property, plant and equipment.

2 Background

- The utilization and management of property, plant and equipment is the prime mechanism by which a municipality can fulfill its constitutional mandates for:
 - Delivery of sustainable services,
 - Social and economic development,
 - Promoting safe and health environments and,
 - Providing the basic needs to the community.
- As trustees on behalf of the local community, the municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in property, plant and equipment.
- The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of property, plant and equipment.
- Stewardship has two components being the:
 - Financial administration by the chief financial officer, and
 - Physical administration by the departmental asset controllers.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

- Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposal by a local government.
- Accounting standards are being promulgated by the Accounting Standards Board to ensure the appropriate financial treatment for property, plant and equipment. The requirements of these new accounting standards include:
 - The compilation of asset registers covering all property, plant and equipment controlled by the municipality.
 - Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant and equipment.
 - The standards to which these financial records must be maintained.

3 Definitions

“Accounting Standards Board” was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.

“Assets” are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.

“Asset Manager” is the “senior manager” who has the functional accountability for and control of the physical management of a particular set of assets in order to achieve the municipalities strategic objectives relevant to their directorate. The execution of this responsibility will require the asset manager to control the acquisition, utilization, management and disposal of this set of assets to optimize the achievement of these objectives.

“Asset categories” are the five main asset categories defined by national. These are:

- **Infrastructure assets**-are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.
- **Community assets**-are defined as any asset that contributes to the community’s well-being. Examples are parks, libraries and fire stations.
- **Heritage assets**-are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

- **Investment properties**-are defined as properties that are acquired for economic and capital gains. Examples are office parks and underdeveloped land acquired for the purpose of resale in future years.
- **Other assets**-are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

“Attractive items” are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding.

“Capitalization” is the recognition of expenditure as an Asset in the Financial Asset Register.

“Carrying amount” is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon.

“Cost” is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

“Cost of acquisition” is all the costs incurred in bring an item of plant, property or equipment to the required condition and location for its intended use.

“Depreciation” is the systematic allocation of the depreciable amount of an asset over its useful life.

“Depreciable amount” is the cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value.

“Fair value” is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction.

“Financial asset register” is the controlled register recording the financial and other key details for all municipal asset recognized in accordance with this policy.

“GRAP” Generally Recognized Accounting Practice

“Network asset” is an asset as defined in this policy.

“Property, plant and equipment” are tangible assets that:

**CITY OF MATLOSANA
ASSET MANAGEMENT POLICY**

- (a) Are held by a municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purpose ,and*
- (b) Are expected to be used during more than one period.*

“Recoverable amount” is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.

“Recognition” is the process by which expenditure is included in the Financial Asset Register as an asset.

“Residual value” is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

“Senior manager” is a manager referred to in section 56 of the municipal systems act being someone reporting directly to the municipal manager.

“Senior management teams” are the incumbent of post level 1, 2 and 3 in each directorate being the “senior manager” and everyone up to two levels below them.

“Stewardship” is the act of taking care of and managing property, plant or equipment on behalf of another.

“Useful life” is either:

(a) The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality,

Or

(b) The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.

4 Statutory and regulatory framework

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act No 32 of 2000
- The Municipal Supply Chain Management Regulations
- Division of revenue act
- Municipal Finance Management Act No 56 of 2003

Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 11-17,100,101,102 of property plant and equipment

This policy will be updated annually or whenever legislative or accounting standard amendments significantly change the requirements pertaining to asset management in general and the administration of property, plant and equipment.

This policy does not over rule the requirement to comply with other policies like procurement, tendering or budget policies. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.

5 Responsibilities and accountabilities

The Municipal Manager¹¹ is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The municipal manager must ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The municipality's assets are valued in accordance with standards of generally recognized accounting practice;
- That the municipality has and maintains a system of internal control of assets , including an asset register; and
- That senior manager's and their teams comply with this policy.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

The Chief Financial Officerⁱⁱⁱ is responsible to the municipal manager to ensure that the financial investment in the municipalities' assets is safeguarded and maintained.

The chief financial officer must ensure that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- The systems, processes and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the auditor-general.
- Financial processes are established and maintained ensure the municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- The municipal manager is appropriated advised on the exercise of powers and duties pertaining to the financial administration of assets;
- The senior managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- This policy and any supporting procedures or guidelines are established, maintained and effectively communicated.
- The chief financial office may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.

Asset Manager must ensure that^{iv}:

- Appropriate systems of physical management and control are established and carried out for asset in their area of responsibility;
- The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct, are prevented;
- Their asset management systems and controls can provide an accurate, reliable and up to date account of assets under their control.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

- They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives.
- The asset manager may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.

Financial Management

5.1 Approval to Acquire Property Plant and Equipment

- Money can only be spent on a capital project if:
 - The money has been appropriated in the capital budget,
 - The project , including the total cost, has been approved by the council,
 - The CFO confirms that funding is available for that specific project, and

5.2 Funding of capital projects

- Within the municipality's ongoing financial, legislative or administrative capacity, the chief financial officer will establish and maintain the funding strategies that optimise the municipality's ability to achieve its strategic objectives as stated in the integrated development plan.
- The acquisition of assets will not be funded over a period longer than the useful life of that asset and in any event not more than 20 years.

5.3 Disposal of property plant and equipment.^{vi}

- An asset may only be disposed off in accordance with Council's Disposal Management Policy.
- The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a non-current asset needed to provide the minimum level of basic municipality services.
- The municipality may transfer ownership or otherwise dispose of a non-current asset other than one contemplated above ,but only after the council, in a meeting open to the public
 - *Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services, and*
 - *Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.*
- The decision that a specific non-current asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset been sold, transferred or otherwise disposed of.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

- The municipal manager may approve the disposal of an item of property, plant and equipment as delegated by the municipal council. The delegations to approve contracts for the disposal an item of property, plant and equipment is stated in the Preferential Procurement Policy.
- The disposal an item of property, plant and equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management. The Preferential Procurement Policy covers these issues.^{vii}
- Transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these provisions.

6 Internal Controls

6.1 Financial Asset registers

6.1.1 Establishment and Management of the Financial Asset Register

- The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.
- Asset Managers are responsible for establishing and maintaining any additional register or database required to demonstrate their physically management of their assets.
- Each asset manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in their registers.

6.1.2 Contents of the Financial Asset Register

The details included in the non-current asset register will include:

- *Asset Description and Serial number if available*
- *The useful live.*
- *Depreciation charged.*
- *The gross carrying amount*
- *The accumulated depreciation.*
- *Date of acquisition*
- *Date of disposal (if relevant)*
- *Increases or the decreases resulting from revaluations (if relevant)*
- *Location.*
- *The depreciation vote*

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

6.1.3 Internal Controls over the Financial Asset Registers

- Controls around their asset registers should be sufficient to provide an accurate, reliable and up to date account of assets under their control to the standards specified by the chief financial officer and required by the auditor-general.
- These controls will include physical management and recording of all acquisitions, assignments, transfers, losses and disposals of their assigned assets as well as regular stock-takes and systems audits to confirm the adequacy of their controls.

6.2 Physical Receipting and Management

6.2.1 Responsibilities of the asset manager

- The asset manager must ensure that the purchase of property, plant or equipment complies with all municipal policies and procedures.
- The asset manager must ensure the all moveable property, plant and equipment is duly processed and identified.
- The asset manager must ensure all moveable assets received into their stewardship are appropriately safeguarded for inappropriate use or loss. This will include appropriate control over the physical access to these assets and regular stock takes to ensure any losses have not occurred. Any known losses should be immediately reported to the chief financial officer.
- The asset manager will do an annual stock take of property, plant and equipment as part of the annual reporting processes coordinated by the chief financial officer.
- The asset manager must ensure that property, plant and equipment is appropriately utilized these assets for the purpose that the municipality acquired them.

6.2.2 Receipt of property plant and equipment

- The process of receipting by the Asset Manager will include:
 - Review of the authority to purchase including compliance with all procurement policies and budgetary limits.
 - Review of all details required to write the asset on to the asset register.
 - Assignment of the asset to the appropriate Asset Manager.

6.2.3 The date of acquisition

- The date of acquisition of property, plant and equipment is deemed to be the time when legal title and control passes to the municipality.
- This may vary for different categories of assets but will usually be the point of time when payment for that item of property, plant or equipment is passed through Council's books.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

6.3 Transfers to another Asset Manager

6.3.1 Permanent transfers to another Asset Manager

- An Asset Manager retains managerial accountability and control for a particular asset unless;
 - Another Senior manager agrees in writing to accept responsibility for that assets, and
 - This transfer is endorsed by the Chief Financial Officer.
- The Finance Directorate appropriately amends the Financial Asset register for all approved transfers.
- The new Asset Manager assumes all the accountabilities of the previous Asset Manager.

6.3.2 Relocation or Reassignment of Property, Plant or Equipment

- The Asset Manager must ensure that the asset is appropriately safeguarded for loss, damage or misuse where ever it is located. Safeguarding includes ensuring reasonable physical restrictions and delegated management is implemented.
- The Asset Manager must advise the Chief Financial Officer whenever an asset is permanently relocated or reassigned from the location (or base) or cost center recorded in the Financial Asset Register.
- The Asset Manager must advise the Chief Financial Officer whenever an asset is temporarily relocated or reassigned from the location (or base) or cost center recorded in the Financial Asset Register. In this case, the Asset Manager must also advise the Chief Financial Officer when this asset is returned.

7 Management of attractive items

7.1 Management of attractive items

- The requirements to manage attractive items includes:
 - Maintaining and updating an attractive item register for these receipts.
 - Delivery and assignment of an attractive item to a specified position.
 - Regular stock takes by the assigned person to ensure these attractive items are being appropriately safeguarded.
 - Regular audits by the finance department to ensure attractive items are being appropriately managed by the assigned persons.
 - Recording and reporting of any disposal or loss of these attractive items to the CFO and adjustment of the attractive items register.
- Attractive items will be:
 - Capitalized as an asset
 - Depreciated over its lifespan in the fixed Assets Register
 - Revalue,
 - Recording in the financial asset register, or
 - Otherwise treated as an asset.

8 Management and Operation of property, plant and equipment

8.1 Accountability to manage property plant and equipment

- Each Asset Manager is accountable to ensure that municipal resources assigned to them are utilized effectively, efficiently, economically and transparently. This would include;
 - Developing appropriate asset management systems, procedures, processes and controls for managing assets,
 - Providing accurate, reliable and up to date account of assets under their control,
 - The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the municipality's strategic objectives.

8.2 Reporting on Emerging Issues

- Each Asset Manager should report to the Municipal Manager on issues that will significantly impede the assets capability to provide the required level of service or economic benefit.

9 Classification, aggregations & components

9.1 Classification of property plant and equipment

- Any asset recognized as an asset under this policy will be classified according to national recognized categories.
- These categories will be specified by the Accounting Standards Board and currently are included in GRAP
- The Chief Financial Officer with the relevant Asset Manager may agree to subdivide these classifications further. This decision will be noted as an amendment to the classification schedule of the municipality and endorsed by the Municipal Manager, the Chief Financial Officer and the relevant Asset Manager.

9.2 Optional Treatment for Major Component

- An Asset Manager may, with agreement of the Chief Financial Officer, treat specified major components of an item of property plant or equipment as a separate asset for the purposes of this policy.
- These major components may be defined by its physical parameters (e.g. a reservoir roof) of its financial parameters (e.g. a road surface).
- In agreeing to these treatments the CFO must be satisfied that these components:
 - *Have significantly a different useful life or usage pattern to the main asset,*
 - *The benefits justify the costs of separate identification,*
 - *It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,*
 - *The cost of the asset to the municipality can be measured reliably,*
 - *The municipality has gained control over the asset,*
 - *The costs is above the recognition threshold, and*
 - *The asset is expected to be used during more than one financial year.*
- All such decisions and agreements will be confirmed before the beginning of the financial year and submitted for approval with the budget. Any amendments will only be permitted as part of a budget review.
- Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.
- All other replacements, renewals of refurbishments of components will be expensed.

9.3 Recognition of network asset

- A network asset is a collection of assets that work together as a whole to deliver specified service or economic benefit. E.g. library books, computer systems or office furniture.
- A network asset should be recognized as an asset on the asset register where its aggregate value exceeds 5% of the total value of all property, plant and equipment already recognized.
- At the discretion of the CFO, a network asset with an aggregate value of less than 5% but greater than 2% maybe recognized as an asset on the asset register.
- The Asset Manager is accountable for the management of the registers required to financially verify the value of a network asset.

10 Accounting for Property, Plant and Equipment

10.1 Recognition of property, plant and equipment^{viii}

- An item of property, plant and equipment will be recognized as an asset when:
 - *It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,*
 - *The cost of the asset to the municipality can be measured reliably,*
 - *The municipality has gained control over the asset,*
 - *The costs is above the recognition threshold, and*
 - *The asset is expected to be used during more than one financial year.*
- All other acquisitions of property, plant and equipment will be expensed.

10.2 Initial measurement^{ix}

- An item of property, plant and equipment that qualifies for recognition as a non-current asset should be initially measured at its "cost of acquisition".
- This "cost of acquisition" will include all costs required to bring the asset to the proper working condition and position for its intended use. These costs usually include the following:
 - *Purchase costs (less any discounts given)*
 - *Delivery costs*
 - *Installation costs*
 - *Professional fees for architects and engineers*
 - *Import duties*
 - *Non-refundable taxes*
 - *Site development costs*
 - *Contractor fees*

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

10.3 Donations or exchanges

- Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the non-current asset register if the fair value is greater than the recognition threshold.

10.4 Recognition threshold

- To ensure efficiency in the administration of this policy, the recognition of property plant and equipment as an asset will be limited to items costing R2 000 or more.
- The acquisition of property, plant and equipment costing less than R2 000 will be expensed but their management will need to comply with the policy on managing attractive items
- Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at its cost less any accumulated depreciation, subject to the requirement to write an asset down to its recoverable amount or any subsequent revaluation.

10.5 Depreciation^x

- The depreciable amount of an item of property, plant and equipment should be allocated on a systematic basis over its useful life.
- The depreciation method used should reflect the pattern in which economic benefits or potential service provisions are consumed by the municipality.
- The depreciation charge for each period will be recognized as an expense against the budget of the relevant Asset Manager unless it is included in the carrying amount of another asset.
- The depreciation method will be straight line unless the Chief Financial Officer is convinced that another method is more appropriate.

10.6 Initial determination useful life

- Each Asset Manager needs to determine the useful life of a particular item or class property, plant and equipment that forecasts the expected useful life that asset.
- GRAP provides a schedule of useful lives (include as an annexure). These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.

10.7 Review of useful life^{xi}

- The useful life of an item property, plant and equipment should be reviewed annually and if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

10.8 Review of depreciation method^{xii}

- The depreciation method applied to property, plant and equipment should be reviewed annually, and if there has been a significant change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern.
- When such a change in depreciation method is necessary the change should be accounted for as a change in according estimate and the depreciation charge for the current future periods should be adjusted.

10.9 Subsequent expenditure on property plant and equipment^{xiii}

- Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the municipality.
- All other expenditure should be recognized as an expense in the period in which it occurred.
- Before allowing the capitalization of subsequent expenditure, the Chief Financial Officer must be satisfied that this expenditure significantly:
 - Increases the life of that asset beyond that stated in the asset register, or
 - Increases the quality of service that asset beyond the existing level of service, or
 - Increases the quantity of services that asset can provide, or
 - Reduces the future assessed costs of maintaining that asset.
- Expenditure that is proposed to be capitalized must also conform to recognition criteria for non-current assets and should also be appropriately included in the approved capital budget.
- Where it is desired to capitalize future component replacements, refurbishments or renewals, then please refer to the section on major components in this policy.

10.10 Revaluation of property plant and equipment

- The municipality will not revalue property plant and equipment under this current version of the asset management policy, unless it is necessary due to the unbundling of infra-structure assets and were authorized by the Chief Financial Officer.

10.11 Reduction of the carrying amount^{xiv}

- The carrying amount of a non-current asset should be reviewed annually to assess whether or not the recoverable amount has declined below the carrying amount.

CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount.
- The amount of the reduction should be recognized as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to the Capitalization Reserve.
- For asset providing economic benefits, the recoverable amount is the net present value of future ownership.
- For asset providing future service delivery, the recoverable amount is the remaining proportional of its useful life, service capacity or quality of service that is not intended to be restored by normal maintenance programs.

10.12 Subsequent increase in recoverable amount^{xv}

- A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount should be written back when the circumstances and events that led to the write –down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- The amount written back should be reduced by the amount that would have been recognized as depreciation had the write-down or write-off not occurred.

10.13 Accounting treatment on Disposal^{xvi}

- An item of property, plant and equipment should be eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery are expected from its disposal.
- Gains or losses arising from the retirement or disposal of an item of property, plant and equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognized as revenue or expense in the income statement.

11 Financial Disclosure^{xvii}

- The financial statements should disclose, in respect of each class of property, plant and equipment classified under the categories of infrastructure, community, heritage, investment properties and other assets:
 - (a) *The measurement bases used for determining the gross carrying amount. When more than one basis has been used, the gross carrying amount for that basis in each category should be disclosed.*

**CITY OF MATLOSANA
ASSET MANAGEMENT POLICY**

- *(b) The depreciation methods used.*
- *(c) The useful lives or the depreciation rates used.*
- *(d) Depreciation charged in arriving at net surplus or deficit for the period.*
- *(e) The gross carrying amount and the accumulated depreciation at the beginning and the end of the period.*
- *(f) a reconciliation of the carrying amount at the beginning and end of the period showing:*
 - *(i) additions*
 - *(ii) disposal*
 - *(iii) acquisition through business combinations*
 - *(iv) increases or the decreases resulting from revaluations*
 - *(v) deductions in carrying amount*
 - *(vi) amounts written back*
 - *(vii) depreciation*
 - *(xi) other movements*
- **The financial statement should also disclose:**
 - *(a) Whether or not, in determining the recoverable amount of items of property, plant and equipment, expected future cash flows have been discounted to their present values.*
 - *(b) The existence and amounts of restrictions on title and property, plant and equipment pledged as security for liabilities.*
 - *(c) The accounting policy for restoration costs relating to items of property, plant and equipment.*
 - *(d) the amount of expenditures on account of property, plant and equipment in the course of construction, and*
 - *(e) The amount of commitments for the acquisition of property, plant and equipment.*
- **When items of property are stated at revalued amounts, the financial statements should disclose:**
 - *(a) The basis used to revalue the assets.*
 - *(B) The effective date of revaluation.*
 - *(C) Whether an independent value was involved.*
 - *(d) The nature of any indices used to determine replacement cost.*
 - *(E) The carrying amount of each class of property, plant and equipment that would have been included in the financial statements had the assets been carried at cost less depreciation.*
 - *(f) The revaluation surplus, detailing the movement for the period.*

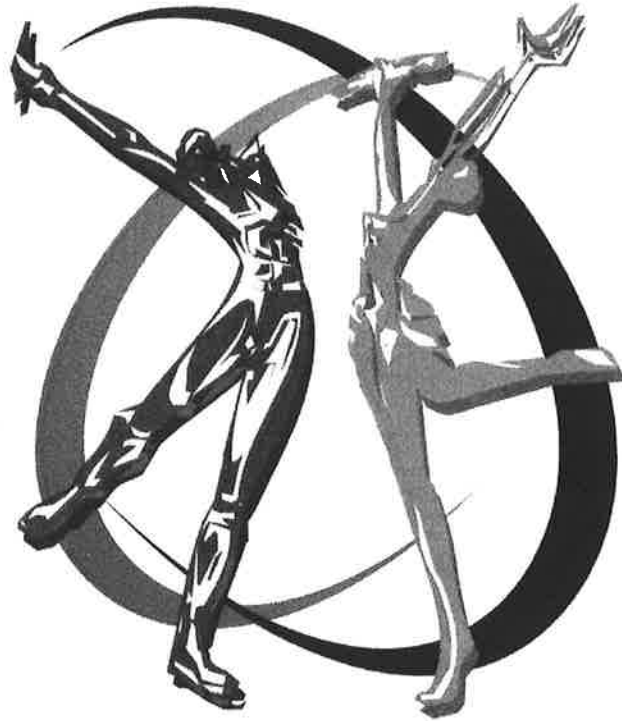
CITY OF MATLOSANA
ASSET MANAGEMENT POLICY

- o *(g) The portion of the depreciation charge relating to the revaluation.*

**CITY OF MATLOSANA
ASSET MANAGEMENT POLICY**

12 USEFUL LIFE OF ASSETS (GRAP)

Asset type	EUL Years
Roads	5-80
Airport	5-80
Buildings and community	5-60
Electricity	5-80
Library books	5-10
Sewer and sanitation	5-80
Water	5-80
Vehicles	4-20
Furniture and fittings	4-15
Emergency equipment	4-20
Office Equipment	4-10
Plant and equipment	4-15



CITY OF MATLOSANA

**BORROWING
MANAGEMENT POLICY
2019/2020**

CONTENTS:

1	Background.....	3
2	Definitions	3
3	Objectives.....	4
4	Responsibilities and Accountabilities	5
5	Security & Guarantees	6
6	Borrowing Mechanisms	7
7	Borrowing Repayments.....	7
8	Risk Management	7
9	Borrowing Ratios and Limits	8
10	Reporting.....	9
11	Policy Review.....	9
12	Municipal Debt Disclosure Regulations.....	11
13	Annexure "A".....	15

Background

- Long- and short-term debts is necessary to fund the prime mechanisms by which a Council can fulfill its constitutional mandates for:
 - Delivery of sustainable services,
 - Social and economic development,
 - Promoting safe and health environments and,
 - Providing the basic needs to the community.
- The borrowing policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of Council's borrowings.
- The compilation of borrowing registers as prescribed by the Accounting Standards Board to ensure the appropriate financial treatment for borrowings.

Definitions

“Council” will mean City Council of Matlosana.

“borrower” will be the City Council of Matlosana.

“lender” is a registered financial institution and recognized by law as a lawful lender of money that a Council is entering into with a borrowing contract.

“policy” is a borrowing management policy of the City Council of Matlosana.

“debt” means:

- (a) A monetary liability or obligation created by a financing agreement, note, debenture or overdraft, or by the issuance of municipal debt instruments
- or
- (b) A contingent liability such as guaranteeing a monetary liability or obligation.

“long-term debt” means debt repayable over a period exceeding one year.

“short-term debt” means debt repayable over a period not exceeding one year.

“financing agreement” includes any loan agreement, lease, installment, purchase contract or a hire purchase arrangement under which a Council undertakes to repay a long-term debt over a period.

“constitution” is the constitution of the Republic of South Africa.

Objectives¹

Statutory objectives

All external borrowings of the City Council of Matlosana must comply with the relevant municipal financial management legislation below.

- The constitution of the Republic of South Africa, 1996
- Municipal Structures Act, No. 117 of 1998
- Municipal Systems Act, No 32 of 2000
- Division of revenue Act 5 of 2004
- Municipal Finance Management Act, No 56 of 2003
- Any standards specified by the Accounting Standards Board.

This policy will be updated annually or whenever legislative or accounting standard amendments significantly change the requirements pertaining to borrowing in general and the administration thereof.

This policy does not over rule the requirement to comply with other policies. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.

City Council of Matlosana determines that borrowing money in foreign currencies is prohibited.

City Council of Matlosana determines the yearly increase in its long-term debt level not to exceed 5% of its yearly operating expenditure.

City Council of Matlosana determines that a loan for funding of the operational budget is prohibited.

City Council of Matlosana determines that borrowing be authorized by the accounting officer.

City Council of Matlosana limits long-term borrowing to funding of capital expenditure on property, plant and equipment.

City Council of Matlosana limits short-term borrowing to bridge operating cash shortfalls in anticipation of specific grants to be received, or long-term debt to be issued within that fiscal year.

Operational Objectives

Council should be structuring external long-term borrowing to optimise flexibility and to ensure a spread of debt maturity in accordance with this policy.

Borrowing costs, risks and exposure to adverse interest rate movements associated with external borrowing should be minimised.

Contribute towards prudent management of borrowings to improve Council's creditworthiness.

Any borrowing that Council intends to undertake must be provided for in the approved and adopted budget.

Long-term borrowing incurred should be for the financing of service delivery enhancing infrastructure only.

Responsibilities and Accountabilities

The responsibilities of Council, the Municipal Manager, the Chief Financial Officer and Senior Managers are in terms of the Municipal Finance Management Act No 56 of 2003 *mutatis mutandis* applicable onto this policy.

The following table outlines specific responsibilities for borrowing activities, including delegated authorities and any respective limitations.

Activity	Delegated Authority	Limit
Approving and changing policy	The Council	Unlimited
Borrowing new debt	The Council	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging assets as security over borrowing	The Council	Unlimited
Overall day-to day borrowing management	Accounting Officer (delegated by Council) Chief Financial Officer (delegated by Council)	Subject to policy
Re-financing existing debts	Accounting Officer (delegated by Council) Chief Financial Officer (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited
Approving interest rate risk management instruments	The Council	Unlimited

Adjust interest rate risk profile	Chief Financial Officer	Fixed/floating ratio difference up to 1% Fixed rate maturity profile limit as per risk control limits.
Managing funding maturities in accordance with Council approved facilities	Chief Financial Officer	Per risk control limits
Maximum daily transaction amount (borrowing)	The Council Chief Financial Officer Treasury officials (delegated by Council)	Unlimited Unlimited Unlimited
Authorising lists of signatories	Accounting Officer	Unlimited
Annual review of policy	Chief Financial Officer	Not applicable
Ensuring compliance with policy	Chief Financial Officer	Not applicable

To prevent unauthorised transactions or difficulties in executing transactions due to an insufficient number of signatories, the following procedures should be adhered to:

- All delegated authorities and signatories must be reviewed annually to ensure that they are still appropriate and current.
- A comprehensive letter must annually be sent to all counterparties reflecting details of all the relevant current delegated authorities.
- Whenever a person with any delegated authority in respect of municipal borrowing leaves Council, Council should immediately advise all relevant counterparties in writing of such changes to prevent any irregularities.

Security & Guarantees

With regard to the provision of Section 48 & 50 of Municipal Finance Management Act No 56 of 2003, Council does not provide any security or issue any guarantee to obtain a borrowing. Whenever any securities or guarantee will be needed in future, Council will compile a policy in this regard.

Borrowing Mechanisms

Factors to be considered when evaluating borrowing mechanisms for raising of short or long-term loans incurred in terms of sections 45 and 46 of the Municipal Finance Management Act No 56 of 2003:

- Available terms from banks and capital markets.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for bank borrowing and funding from the capital markets.
- The outlook for future interest rate movements.
- Ensuring that the implied finance terms within the specific debt (e.g. project finance) are at least as favourable as municipalities could achieve in their own right.
- The impact of the proposed borrowing on municipalities.
- Legal documentation and financial covenants.
- The term of a loan must not be longer than the economic life of the capital assets it funds (as defined by Council resolution) and in any event no more than [20] years.

Borrowing Repayments

One of the following three payment methods may be used

- (i) Direct electronic payment
- (ii) Debit order payment
- (iii) Cheque payment

Risk Management

Borrowing procedures which have to be adhered to is attached as ANNEXURE "A"

The following Municipal risk areas have been identified:

Interest rate risk;

- Using of financial products such as interest rate risk management contracts to manage Council's risks must be avoided, unless such plans is discussed with National Treasury. The following two interest rate risk management tools or

strategies may be implemented when entering into a borrowing contract with a prospective lender.

Fixed interest rate – it is advisable to go for this option when the interest rates are at the relatively lower levels and with no possibility of going further down over the repayment period, in terms of economic speculations.

Interest rate hedging – this option is ideal when interest rates are relatively high. Council should use hedging contracts only to protect actual borrowings; no speculative activities should be undertaken. In addition, hedging contracts should only take place with counter-parties who have a long-term credit rating of 'A-' or better.

- Council determines that future maturity dates of borrowings to be at least four months apart.
- Council determines the maximum limit for the portion of total borrowing in any one year not to exceed 5% of its yearly operating expenditure.

Counterparty credit risks;

- Council limit the use of borrowing facilities to counterparties with a minimum credit rating of "AA-" or "A-".

Liquidity risks;

- Council must maintain a level of liquidity sufficient to meet both planned and unforeseen cash requirements.

Operating risks;

- Council must manage its borrowings so that the impact of settlement default will not adversely affect its operations.
- Operating procedures are specified in ANNEXURE "A".

BORROWING RATIOS AND LIMITS

Mandatory limits on the amount of borrowings and the proportion of income used for interest payments are reflected below.

Limits on borrowings

- Net debt or total debt as a percentage of equity (net debt is defined as total debt net of liquid financial assets (including sinking funds))
- Net or total debt as a percentage of gross income
- Term debt as a percentage of total realisable assets (excludes infrastructural assets and restricted assets)
- Total debt as a percentage of total assets

Limits on interest payments

- Net or gross interest as a percentage of gross annual income
- Net or gross interest as a percentage of annual property rates income
- Pre-tax funds flow from operations to gross annual interest expense (funds flow from operations is defined as operating surplus before depreciation and interest)

REPORTING

Municipal treasury officials should prepare monthly reports on borrowing operations for municipal chief financial officers.

Quarterly reports on borrowing operations and proposed borrowing strategies must be submitted to council committees with oversight for municipal borrowing activities; at a minimum, these reports should address the following topics:

- Current funding facilities and liquidity
- Actual and forecast debt (current year) based on all outstanding debt
- Budgeted and year to date actual debt servicing costs
- Funding and Interest Rate Risks
- Debt-maturity profiles and expected timing of debt raising
- Hedging: this report would cover hedging contracts taken up since the last report and hedging and derivative contracts in place at the time of the report.

POLICY REVIEW

This policy will be reviewed on an annual basis. The Chief Financial Officer should prepare an annual review report (following the preparation of annual financial statements) that is presented to the relevant council committee; the report will include:

- Recommendation as to changes, deletions and additions to the policy
- Overview of the borrowing function in achieving the stated borrowing objectives
- Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension

- **Comments and recommendations from the Council's external auditors on the borrowing function, particularly internal controls, accounting treatment and reporting**

In addition, Council must undertake an annual audit of the borrowing management systems and procedures.

Borrowing policy reviews should be completed and presented to Councils within [five] months of the financial year-end. Council should subsequently receive the reports, approve policy changes and/or reject recommendations for policy changes.

MUNICIPAL DEBT DISCLOSURE REGULATIONS

The following information must be contained in a disclosure statement when entering into a borrowing agreement

(1) The disclosure statement must set out the following information concerning the Council:

- (a) the name of the Council and details of its establishment under the Local Government: Municipal Structures Act, 1998, (Act No. 117 of 1998);
- (b) where the Council is located;
- (c) the exact wording of the council resolution approving the debt in terms of section 45(2) or 45 (3) of the Act;
- (d) the exact wording of the information statement required in terms of section 46(3) of the Act;
- (e) any restrictions or limits imposed on borrowing which arise by virtue of any agreement, resolution, or otherwise.

(2) The disclosure statement must set out the following information pertaining to the municipal debt securities:

- (a) the issue date;
- (b) the purposes for which funds raised will be used;
- (c) the total principal amount of securities issued, and if the current issue is part of a larger authorisation by the municipal council, the amount of the total authorisation and of any previous debt issued within that authorisation;
- (d) the aggregate amount of interest payable in respect thereof over the repayment period, as calculated at the issue date;
- (e) the applicable interest rate, or the basis for determination thereof, if not determined, and the method for the calculation thereof in summary form, and the date from which interest will accrue;
- (f) the due dates for payment of any amounts payable;
- (g) the final maturity date;
- (h) any legal restrictions under which the municipal debt securities will be offered, sold, transferred or delivered;
- (i) the status of the municipal debt securities or the subordination thereof, in relation to the other debts of the Council or municipal entity;
- (j) the subscription or cancellation rights of any lender, underwriter, or investor;
- (k) whether the municipal debt securities will be listed on an exchange and details thereof;
- (l) debt amortisation terms;
- (m) procedures relating to the method of issue and/or allocation;
- (n) clearing and settlement procedures;
- (o) a summary of the most important rights of lenders and investors;
- (p) any penalty or early redemption premium payable by the Council;

- (q) the minimum denominations in which the municipal debt securities may be taken up by any person;
- (r) the details of any security to be provided in terms of section 48 of the Act, and where the relevant documentation shall be available for inspection, subject to the provisions of regulation 7;
- (s) whether any asset or right in respect of which security is provided has been determined by a council resolution in terms of section 48 (3) of the Act to be necessary for the provision of the minimum level of basic municipal services, and if so, the manner in which the availability of the asset or right for the provision of that minimum level of basic services will be protected;
- (t) such other key terms and salient features of the debt transaction as may be necessary to enable a potential lender or investor who was not party to the original transaction to understand the essence of the transaction;

(3) The disclosure statement must set out the full names, and the relevant qualifications and experience of –

- (a) the Mayor or Executive Mayor;
- (b) the chief financial officer;
- (c) the municipal manager;
- (d) the person that will be administering the debt and repayment, if not the chief financial officer; and
- (e) in the case of a municipal entity, the directors, chief executive officer, financial officer and senior management of the municipal entity.

(4) The disclosure statement must set out the following information pertaining to the financial situation and financial management of the Council or municipal entity:

- (a) details of its existing debt obligations including the identity of creditors, the capital outstanding, the applicable interest rate(s); the repayment schedules and security provided;
- (b) the revenue of the Council in respect of the preceding three years, or if it has not, at the time, been established for a period of three years, then since establishment, with reference to the –
 - (i) allocations received under the annual Division of Revenue Act;
 - (ii) revenue from service fees, property rates, and other charges;
 - (iii) revenue from other sources;
 - (iv) the amounts collected within 30, 60, 90 and 120 days of due date, from the sources referred to in paragraph (ii);
- (c) details of any default pertaining to outstanding or repaid debt, during the immediately preceding three years or if it has not, at the time, been established for a period of three years, then since establishment;
- (d) the reserves of the Council;
- (e) the Council's policies and practices in respect of the collection of unpaid service fees, property rates, and other charges;
- (f) a summary of the applicable investment policies;

(g) the nature and amounts of insurance policies which relate to the debt and to the risk factors contemplated in sub-regulation 7 (f).

(5) The disclosure statement must set out summary information reflecting the extent of social delivery and stability within the Council, including, where applicable –

(a) the number of houses constructed with the assistance of the Government Housing Subsidy Scheme, now the Housing Act, 1997 (Act No. 107 of 1997);

(b) details of public private partnerships initiated, in progress or completed during the preceding three financial years, or if it has not, at the time, been established for a period of three years, then since establishment;

(c) municipal services provided;

(d) capital projects undertaken; and

(e) the existence or not of any consumer boycotts or any mobilisation around the non-payment of any services or loan obligations.

(6) The disclosure statement must set out the following information pertaining to local economic indicators:

(a) the average income levels of persons employed within the Council;

(b) the number of persons unemployed within the Council;

(c) the ten employers employing the greatest number of persons within the Council;

(d) the ten major contributors to the municipal rate base;

(e) growth projections for the next five years; and

(f) the material risk factors which, in accordance with the Council or the municipal entity's assessment, will have a direct impact on its ability to meet repayment obligations.

(7) Where debt is incurred for purposes related to a particular service and where the debt is to be repaid from revenues linked to the particular service, the disclosure statement must set out the following information:

(a) whether a lender's or investor's rights of recovery against the Council or municipal entity is limited in any respect or limited to revenues linked to that particular service;

(b) any security or security mechanisms as contemplated in section 45 of the Act;

(c) operational statistics pertaining to any particular municipal service that is relevant to the debt transaction.

(8) The disclosure statement must set out –

(a) whether any credit rating has been applied from a rating agency and whether or not a rating was obtained, and if obtained, what rating, from which agency and when it was obtained;

- (b) the names, contact persons, addresses, contact details and registration numbers of its legal and financial advisors and auditors;
- (c) the addresses where relevant documentation is available for inspection by potential lenders, underwriters, investors, and other interested parties, subject to the provisions of regulation 7; and
- (d) who is available to provide any further information and where and how the person can be contacted.

Borrowing Procedure Manual of the City Council of Matlosana

STEPS, CONDITIONS AND CRITERIA FOR THE RAISING OF LOANS
Terms of the Municipal Finance Management Act No 56 of 2003 & the Municipal Systems Act No 32 of 2000

A. Calling for Tenders

1. Compiling the notice of tender.
2. Obtain input from the Specification Committee
3. Placement of notices in newspapers, Council's display area's and web site.
4. Compilation of tender documents in accordance with Council's Supply Chain Management Policy.
5. Provision of tender documents and organise compulsory information sessions.
6. Opening, summarisation, evaluation of tenders.
7. Allocation of tender by bid committee.

B. Approval of Debt - Publication – Section 46 (3) (a) (i)

- 21 Days prior to Council's meeting the Accounting Officer must make public an information statement setting out particulars as specified in ANNEXURE "A"

C. Approval of Debt - Invitation – Section 46 (3) (a) (ii)

Municipality invites the following parties to submit their written comments:

1. The local community.
2. National Treasury.
3. Provincial Treasury.

D. Approval of Debt – Inform Council – Section 46 (3) (a) (ii)

21 Days prior to Council's meeting, at which the approval of the debt is considered, the Accounting Officer must submit a copy of the information statement to the Municipal Council reflecting:

1. The repayment terms, including the debt repayment schedule
2. The total cost over the repayment period.
3. Obtain Council's resolution to create the debt.

E. Media

Any notification to the community must be done through the following media:

1. A local newspaper.
2. A newspaper determined by Council as a newspaper of record.
3. By means of radio broadcast covering the area of the municipality.
4. A copy of every notice must be published in the Provincial Gazette.
5. Notifications must be displayed at the Municipal offices.

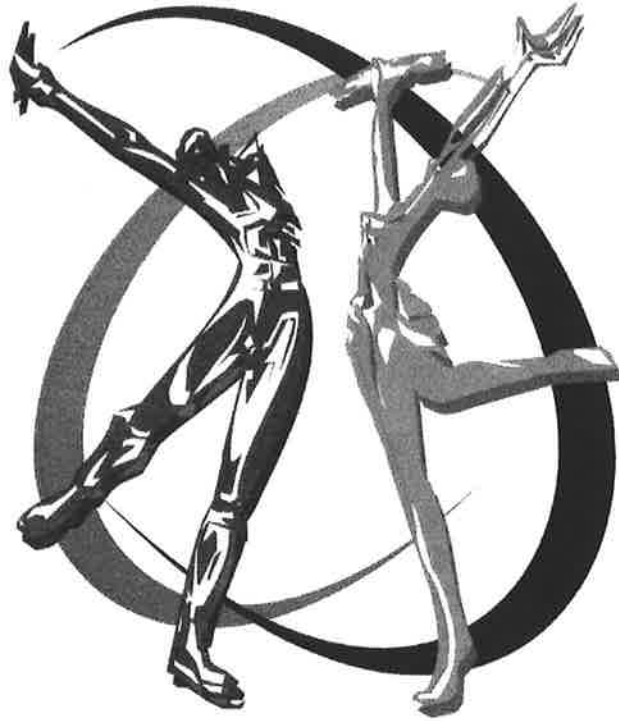
Notifications must be in the official languages of Council – Tswana, English & Afrikaans.

F. Transparency

Municipal Manager must make available the draft contract to the Municipal Council.

The contract may not be withheld from public scrutiny.

Award of contract to the successful tenderer.



CITY OF MATLOSANA

BUDGET POLICY

2019/2020

CITY OF MATLOSANA BUDGET POLICY

TABLE OF CONTENTS

Page no

1. DEFINITION	3 - 8
2. INTRODUCTION	8
3. OBJECTIVE OF THE POLICY	8
4. BUDGETING PRINCIPLES	9
5. BUDGET PREPARATION PROCESS	9
5.1. Formulation of the Budget	9
5.2. Public Participation Process	10
5.3. Approval of the Budget	10
5.4. Publication of the Budget	10
5.5. Service Delivery and Budget Implementation Plan (SDBIP)	11
6. BUDGET COMPILATION	11
7. BUDGET IMPLEMENTATION	11
7.1. Monitoring	11
7.2. Reporting	12
8. UNSPEND FUNDS/ ROLL OVERS	12-13
9. ADJUSTMENT BUDGET	13 -14
10.UNFORESEEN AND ANAVOIDABLE EXPENDITURE	14 -15
11. FAILURE TO APPROVE BUDGET BEFORE START OF THE BUDGET YEAR	16
12. CONCLUSION	16

1. DEFINITIONS

"Accounting Officer"-

- (a) means the Municipal Manager;

"Allocation", means-

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"Annual Division of Revenue Act" means the Act of Parliament, which must be enacted

annually in terms of section 214 (1) of the Constitution;

"Approved budget," means an annual budget-

- (a) approved by a municipal Council, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"Budget - related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

- (a) the Tariffs Policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the Property Rates Policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the Customer Care, Credit Control and Debt Collection Policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- (d) Asset Management Policy
- (e) Indigent Relief Policy
- (f) Borrowing Management Policy
- (g) Funding and Reserves Policy
- (i) Investment and Cash Management Policy
- (j) Transfer of Funds Policy
- (k) Budget Policy

- (l) Insurance policy
- (m) Provision for debt impairment
- (n) Overtime policy

"Budget transfer" means transfer of funding within a function / vote. **"Budget Year"** means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

"chief financial officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"Councillor" means a member of a municipal Council;

"creditor", means a person to whom money is owed by the municipality;

"current year" means the financial year, which has already commenced, but not yet ended;

"Delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial recovery plan" means a plan prepared in terms of section 141 of the MFMA

"financial statements", means statements consisting of at least-

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year.

"financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

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

"irregular expenditure", means-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"investment", in relation to funds of a municipality, means-

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"lender", means a person who provides debt finance to a municipality;

"local community" has the meaning assigned to it in section 1 of the Municipal system Act;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"long-term debt" means debt repayable over a period exceeding one year;

"executive mayor" means the Councillor elected as the Executive Mayor of the Municipality in terms of section 55 of the Municipal Structures act;

"municipal Council" or **"Council"** means the Council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

"municipal entity" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"municipality"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);v

"accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the municipal structures Act;

"municipal service" has the meaning assigned to it in section 1 of the Municipal systems Act (refer to the MSA for definition);

"municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"overspending"-

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the Executive Mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- (a) projections for each month of-
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the Executive Mayor in terms of section 54 (1) (c) of the MFMA;

"short-term debt" means debt repayable over a period not exceeding one year;

"standards of generally recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 32 of the MFMA, and includes-

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"virement" means transfer of funds between functions / votes

"vote" means-

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

2. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the Council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Executive Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year. This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.

3. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to City Of Matlosana's IDP review and budget processes.

4. BUDGETING PRINCIPLES

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- City of Matlosana shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

5. BUDGET PREPARATION PROCESS

5.1. Formulation of the budget

- (a) The Accounting Officer with the assistance of the Chief Financial Officer and the Director responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- (b) The Executive Mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- (c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- (d) The Executive Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The Executive Mayor shall table the IDP priorities with the draft budget to Council.

- (e) The Executive Mayor shall table the draft IDP and MTREF budget to Council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).
- (f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- (g) The budget must be in the prescribed format, and must be divided into capital and operating budget.
- (h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- (i) The expenses reflected in the budget must be divided into items.
- (j) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

5.2. Public participation process

Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representation at the Council hearings and to submit comments in response to the draft budget.

5.3. Approval of the budget

- (a) Council must at least 30 days before the start of the budget year consider the approval of annual budget (as per section 24(1) of the MFMA)>
- (b) The budget tabled to Council for approval shall be compiled and include the supporting documents as per the requirements of Municipal Budget and Reporting Regulations

5.4. Publication of the budget

- (a) Within 14 days after the draft annual budget has been tabled, budget and other budget-related documentation must be posted onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury and District Municipality.

- (b) The Chief Financial Officer must within 10 working days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

5.5. Service Delivery and Budget Implementation Plan (SDBIP)

- (a) The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- (b) The SDBIP shall include the following components:
 - i. Monthly projections of revenue to be collected for each source
 - ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
 - iii. Quarterly projections of service delivery targets and performance indicators for each vote
 - iv. Ward information for expenditure and service delivery
 - iv. Detailed capital works plan broken down by ward over three years

6. BUDGET COMPILATION

Be compiled as per the requirements of the Municipal Budget and Reporting Regulations.

7. BUDGET IMPLEMENTATION

7.1 Monitoring

- a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
 - funds are spent in accordance with the budget;
 - expenses are reduced if expected revenues are less than projected; and
 - revenues and expenses are properly monitored.
- b) The Accounting officer with the assistance of the chief financial officer must Prepare any adjustments budget when such budget is necessary and submit it to the Executive Mayor for consideration and tabling to Council.

- c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

7.2 REPORTING

7.1.1 Monthly budget statements

- a) The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

7.1.2 Quarterly Reports

- a) The Executive Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

7.2.3 Mid-year budget and performance assessment

- a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- b) The Accounting officer must then submit a report on such assessment to the Executive Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
- c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

8. UNSPENT FUNDS / ROLL OVER OF BUDGET

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (b) Only unspent grant (if the conditions for such grant funding allows that) or loan

- funded capital budget may be rolled over to the next budget year
- (c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds
 - (d) Application for roll over of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May.
 - (e) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
 - (f) No funding for projects funded from the Council funding shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
 - (g) No unspent operating budget shall be rolled over to the next budget year

9. ADJUSTMENT BUDGET

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

- (a) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.
- (b) Council may revise its annual budget by means of an adjustment in terms of sec 28 of MFMA.
- (c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- (e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.
- (f) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.
- (g) Only the Executive Mayor shall table an adjustments budget.

- (h) An adjustments budget must contain all of the following:
- i. an explanation of how the adjustments affect the approved annual budget;
 - ii. appropriate motivations for material adjustments; and
 - iii. an explanation of the impact of any increased spending on the current and future annual budgets.
 - iv. Any other supporting document that maybe prescribed.

Any unappropriated surplus from previous financial years, even if fully Cash backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.

- (i) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- (j) Unauthorised expenses may be authorised in an adjustments budget.
- (k) In regard to unforeseen and unavoidable expenditure, the following apply:
- i. the Executive Mayor may authorise such expenses in an emergency or other exceptional circumstances;
 - ii. these expenses must be reported by the Executive Mayor to the next Council meeting;
 - iii. the expenses must be appropriated in an adjustments budget; and
 - iv. Council must pass the adjustments budget within sixty days after the expenses were incurred.
- (l) An Adjustment budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information.

10. UNFORESEEABLE AND UNAVOIDABLE EXPENDITURE IS INCURRED AND APPROVED BY THE MAYOR

In terms of the MFMA, Act 56 of 2003, section 29 and Municipal Budget and Reporting Regulations, chapter 5, prescribe the process to be followed for the approval of unforeseeable and unavoidable expenditure.

Unforeseen and unavoidable expenditure are expenditure that:

- Could not have been foreseen at the time the annual budget of the municipality

was passed;

- The delay that will be caused by a pending adjustments budget may:
 - Result in significant financial loss for the municipality;
 - Cause a disruption or suspension or serious threat to the continuation of municipal services;
 - Lead to loss of life or serious injury or significant damage to property; and
 - Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.

No unavoidable expenditure exceeding R15 million may be approved during a financial year. In terms of the MBRR section 72.

The amount of expenditure that a Mayor of a municipality may authorise in terms of section 29 of the Act is limited to-

- (a) 5% of the municipality's own revenue in the case of a municipality with approved total revenue in its current annual budget not exceeding R250million;*
- (b) The greater of R 5 million or 4% of the municipality's own revenue in the case of a municipality with approved total revenue in its current annual budget greater than R 250 million but not exceeding R 500 million; and*
- (c) R 15 million in the case of a municipality with approved total revenue in its current annual budget greater than R 500 million.*

Any department becoming aware of the need to incur unforeseen or unavoidable expenditure must immediately approach the Chief Financial Officer with the full details on the unforeseen expenditure, providing information on the consequences of not incurring the expenditure as well as an indication of the expected cost (both for the current year as well as any recurring cost resulting from the event). A confirmation that the expenditure does not constitute expenditure that may not be allowed by the Executive Mayor as per section 73(2) of the MFMA Budget and Reporting Regulations must be given by the department when approaching the CFO.

The CFO will determine whether the cost cannot be dealt with through a process of shifting of funds within the relevant votes. If sufficient funds are available for shifting within the vote, the shifting of funds process will be followed. If not, the matter will be reported to the city manager for consideration as unforeseen and unavoidable expenditure.

Once the city manager has granted approval, the relevant head of department will be authorised to submit a report to the executive mayor requesting approval. If approval is granted, the financial system will be adjusted to allow the department to process the financial transaction.

The abovementioned process will be dealt with as highest priority to ensure that administrative delays do not worsen the situation.

An adjustments budget will be submitted to the next Council meeting. The preferred process would be to shift funds between votes to avoid any negative impact on the total cash position of council.

"If such adjustment budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 of MFMA applies.

11. FAILURE TO APPROVE BUDGET BEFORE START OF THE BUDGET YEAR

If a municipal council fails to approve an annual budget, including revenue – raising measures necessary to give effect to the budget, the council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the council meeting that failed to approve the budget.

12. CONCLUSION

The Chief Financial Officer must place on the municipality's official website the following:

- The Annual and Adjustments budgets and all budget-related documents;
- All Budget-related policies;
- The Integrated Development Plan
- The Annual Report;
- All Performance Agreements;
- All Service Delivery Agreements;
- All Long-term Borrowing Contracts;
- All Quarterly and mid-year reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

PREAMBLE

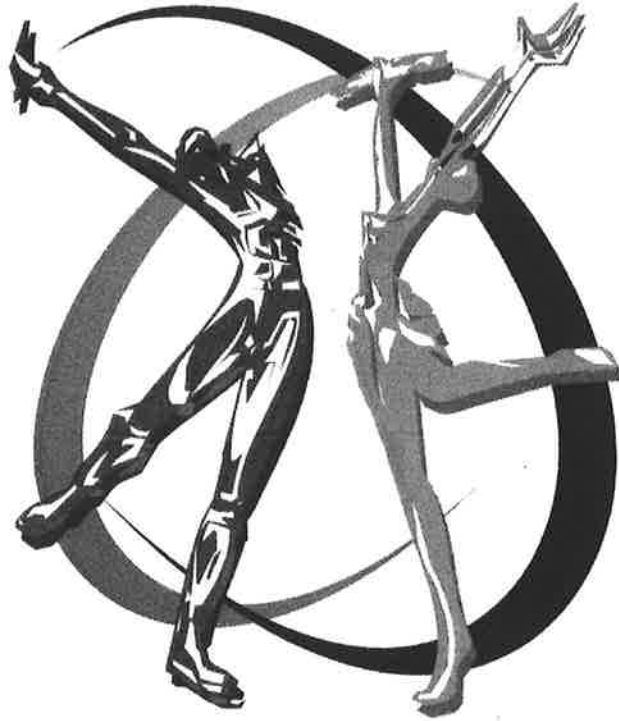
Whereas section 13 of the Local Government: Municipal Finance Management Act,
2003

(Act No. 56 of 2003) determines that a municipality must introduce appropriate and
- affective
investment arrangement;

And whereas a municipality must disclose its investment details;

And whereas Councilors and officials as trustees of public funds, have an obligation
to
ensure that cash resources are managed as effectively, efficiently and economically
as
possible

Now therefore the City of Matlosana adopts the following Investment Policy:



CITY OF MATLOSANA

**INVESTMENT & CASH
MANAGEMENT
2019/2020**

TABLE OF CONTENTS

1.	LEGISLATIVE REQUIREMENTS	3
2.	DISCUSSION	3
3.	INVESTMENT OBJECTIVES	3
4.	DEFINITIONS	3
5.	SCOPE	4
6.	ROLE CLASSIFICATION	4
7.	DELEGATION	4
8.	ADMINISTRATION	5
9.	PERMITTED INVESTMENT	5
10.	PROHIBITED	5
11.	INVESTMENT ETHICS	5
12.	DELEGATION OF AUTHORITY	6
13.	USE OF INDEPENDENT INVESTMENT MANAGER	7
14.	CASH MANAGEMENT	7
15.	BANK AND CAHS INTERMS OF THE LOCAL GOVERNMENT	8
16.	INVESTMENT PROCEDURE	9
17.	PRUDENTIALS	9
18.	PAYMENT OF COMMISSION	10
19.	RECORDS AND REPORTS	10
20.	PORTFOLIO DIVERSIFICATION	11
21.	RELATIONSHIPS WITH FINANCIAL INSTITUTION	11

22. MISCELLANEOUS PROVISIONS	12
23. INDEMNIFICATION OF INVESTMENT OFFICIALS	12

1. LEGISLATIVE REQUIREMENT

Section 13(1) and (2) state that the Minister, acting with the concurrence or the Cabinet member responsible for local government, may prescribe a framework within which municipalities must-

- (a) Conduct their cash management and investments; and
- (b) Invest money not immediately required.

(2) A municipality must establish and appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1)

2. DISCUSSION

The purpose of this policy is to establish a formal investment and cash management policy within the Investment of funds made in compliance with MFMA and Municipal Investment Regulations prescribed by the Minister of Finance on the 1st April 2005 in a government Gazette No. 27431. Another purpose is to secure the sound and sustainable management of the Municipality's cash and investments.

3. INVESTMENT OBJECTIVES

The primary objective of all investments will be based on a proper risk analysis before any investment is made. The secondary objective is the investment made shall be met by the liquidity of the council. The third objective shall be to achieve the maximum return as possible after the primary and secondary objectives are fulfilled.

4. DEFINITIONS

"Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

"Financial institution" means Banks, Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of

1984); Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No.46 of 1984); and any other legal brokers and dealers of the financial instruments.

"Investee" means an institution with which an investment is placed, or its agent;

“Investment officer” means an official who is delegated by the Chief Financial Officer (CFO), in accordance with the Act, to handle the Council’s investments.

“Investment manager” means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), contracted by the Council entity to –

- (a) advise it on investments;
- (b) manage investments on its behalf; or
- (c) advise it on investments and manage investments on its behalf;

“Trust money” means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Act.

“Analysis” means that the overall value of funds shall not be diminished in the process of securing and investing those funds during the duration of the investments.

“Liquidity” means that funds shall be made available to meet all anticipated obligations and a prudent reserve shall be kept available to meet unanticipated cash requirements. Availability has two elements, namely liquidity and the scheduling of cash flows. Liquidity is the ability to transform an investment into cash on short notice at its prevailing market value. Scheduling of cash flows means that investments are to mature or are to be transformed into cash in parity with the anticipated cash requirements.

“Achieve a return” means to earn the optimum interest/income from funds proportionate to the objectives of safety and availability of the principle investment. At no time shall funds be invested in any security that could result in zero interest accrual if held to maturity.

5. SCOPE

This investment policy applies to all investments. Investment income and interest will be allocated according to the requirements of Generally Accepted Municipal Accounting Practices and Generally Recognized Accounting Practices.

6. ROLE CLARIFICATION

The Accounting Officer as an Accounting Officer remains the overseeing authority over all investments that has been made on behalf of the Council.

The CFO must perform the cash Management and investment of funds

as prescribed in Section 81 (e) of the Act and the delegation authority of the council as prescribed in Section 60 (2) of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000).

7. DELEGATIONS

The CFO may delegate the cash management and investment responsibility to either his deputy or to the assistant directors as prescribed in Section 82 (1) of the Act.

8. ADMINISTRATION

The Investment Committee will meet at least once a quarter to review and evaluate previous investment activity and yield, to review the current status of all funds held by the City of Matlosana, to discuss anticipated cash requirements and investment activity for the future, and to determine an investment strategy.

Any two members of the Committee may call a special meeting and two members shall constitute a quorum.

9. PERMITTED INVESTMENTS

As prescribed in a Municipal Investment Regulation No.6 issued by the Minister of Finance, the permitted investments are as follows -

- (a) securities issued by the national government;
- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- (c) deposits with banks registered in terms of the Bank Act, 1990 (Act No 94 of 1990);
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act no. 45 of 1984);
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- (f) bankers acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- (i) municipal bonds issued by a municipality; and
- (j) any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

10. PROHIBITED INVESTMENTS

The Council shall not be permitted to make the following investments:

- (a) investments in listed or unlisted shares, or unit trusts
- (b) investments in standalone derivative instruments
- (c) investments denominated in, or linked to, foreign currencies
- (d) investments in market linked endowment policies

The Council shall not borrow for the purpose of investing.

11. INVESTMENT ETHICS

- (a) The Accounting Officer; Chief Financial Officer or their delegate are responsible for the investment of funds and must ensure that there is no interference in these processes.
- (b) No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her relationship with the said institution.
- (c) The gift must be declared to their Superior.

The Accounting Officer, Chief Financial Officer or their delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the Municipal Council. Excessive gifts and hospitality should be avoided at all costs.

11.1 RISK MANAGEMENT

The preservation of principal is the foremost objective of the investment program. To attain this objective, diversification is required to ensure that the Accounting Officer or their nominee prudently manages risk exposure. Risk profiles should be minimized by only placing investments with institutions and instruments approved by the Public Investment Commission or the Republic of South Africa: National Minister of Finance.

11.2 Investment shall be made with care, skill, prudence and diligence. The approach must be that which a prudent person acting in a like capacity and familiar with investment matters would use in the investment of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Municipality. Investment officials are required to:

- (a) adhere to written procedures and policy guidelines
- (b) exercise due diligence
- (c) prepare all reports timeously
- (d) exercise strict compliance with all legislation

12. DELEGATION OF AUTHORITY

The delegation to authorise investments must distinguish between short-term & long-term investments as provision of security is vested with the Municipal Council in terms of Section 48 of the MFMA and with reference to section 11(1) (h) of the MFMA dealing with cash management, the responsibility to make short investments lies with the Accounting Officer or Chief Financial Officer or any other senior financial officer authorised by either the Accounting Officer or the Chief Financial Officer/relevant assignee.

The Local Government Municipal Systems Act of 2000, Section 3, (60) (2) states that the Municipal Council may only delegate to an Accounting Officer, Executive Committee or Executive Mayor or Chief Financial Officer decisions to make investments on behalf of the municipality within a policy framework determined by the Minister of Finance.

The Chief Financial Officer must ensure that a bank, insurance company or other financial institution, which at the end of a financial year holds, or at any time during a financial year held, an investment for the municipality must:

- Promptly disclose information regarding the investment when so requested by the National treasury or the Auditor-General
- Promptly disclose information of any possible or actual change, in the investment portfolio, that could or will have a material adverse effect.

13. USE OF INDEPENDENT INVESTMENT MANAGERS

Should the need arise to use an investment manager at the cost of Council; one will be appointed using Supply Chain Management principles and practices.

14. CASH MANAGEMENT

The Chief Financial Officer, inter-alia, has to ensure financial viability and sustainability of the municipality. In order to achieve this in a sustainable manner, the Chief Financial Officer must ensure that internal financial systems and controls are in place that will enable the Municipality to detect mismanagement of funds.

Availability of cash is one of key requirements for financial sustainability for any organisation. Accumulated surplus is not an indicator of available cash and should not be seen as having a direct correlation with surplus cash.

One of the first and most important issues that must be borne in mind is that financial statements of municipalities are compiled on the accrual basis (GRAP accounting standards used as basis of compilation) and not on the cash basis as Provincial and National Government. In the past the accrual basis was used, but fund accounting was applied and not GRAP. This change in accounting basis led to the accumulation of

larger than expected accounting surpluses with little or no relation to cash reserves.

Cash Management will include all amounts disclosed on the financial statements on the following line items:

- 14.1 Investments (Long Term and Short Term)
- 14.2 Cash and Cash Equivalents

14.3 BANK ACCOUNT ADMINISTRATION

- 14.3.1 The Accounting Officer or delegated nominee is responsible for the administration of the municipality's bank accounts including the opening of the bank accounts, the designation of the primary bank account and all banking and withdrawal procedures. The bank account may only be managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 3 of the Act as well as section 64 of the Act.
- 14.3.2 The Accounting Officer may delegate the duties attached to the administration of the bank accounts as per paragraph 11 of this policy.
- 14.3.3 The Accounting Officer, in conjunction with the Chief Financial Officer (CFO) is responsible for the effective and efficient management of the council funding, namely-
 - 14.3.3.1 The municipality must open at least one bank account in the name of the municipality
 - 14.3.3.2 The municipality may not open a bank account –
 - 14.3.3.2.1 abroad;
 - 14.3.3.2.2 with an institution not registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990); or
 - 14.3.3.2.3 otherwise in the name of the municipality.
 - 14.3.3.2.4 ensure that its funding always has sufficient money for appropriated expenditure and direct charges to meet the progressive cash flow requirements.
- 14.3.4 Bank account requirements, guidelines and regulations in terms of sections 7, 8, 9, 10 and 11 of the MFMA are adhered to.
- 14.3.5 Ensure that the Municipality accounts daily for the cash movements of all bank accounts in the financial records.
- 14.3.6 The Accounting Officer, in conjunction with the CFO are responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management for the treasury and budget offices.
- 14.3.7 Sound cash management would include -
 - 13.3.7.1 collecting revenue when it is due and banking it promptly;

13.3.7.2 making payments, including transfers, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the municipality's normal terms for account payments;

15. BANK AND CASH IN TERMS OF THE LOCAL GOVERNMENT:

MUNICIPAL FINANCE MANAGEMENT Act N0.56 of 2003, Chapter 3, Part 1

- All names of bank accounts must be changed to the name of the newly created municipality,
- New bank accounts must be opened if required,
- All cheques received from the disestablished municipalities must be banked,
- All bank accounts currently held and transferred to the municipality must be accounted for in the new accounting system,
- The official responsible must ensure that the name change on the accounts has been effected,
- All bank and cash must be made in terms of Cash Management Policy
- Every municipality must open and maintain at least one bank account in the name of the municipality and
- All money received by a municipality must be paid into its bank account in the name of the municipality as per the above mentioned legislative framework

16. INVESTMENTS PROCEDURE

- (a). Quotations should be invited from at least three financial institutions for the term for which the investment is to be placed. In the event of one of the financial institutions offering a more beneficial rate for an alternative term, the other institutions invited to quote should be approached for their rates on the alternative term.
- (b) It is acceptable to obtain telephonic quotations, when placing funds.
- (c) The person responsible for calling for quotations from institutions should note the name of the institution, the person who has given the telephonic quote and the terms and interest applicable, e.g. whether interest is payable monthly or on maturity.
- (d) Having obtained the necessary number of quotations, the decision needs to be made regarding the best terms offered and the institution with whom the investment is to be placed. The investment objectives must be kept in mind.
- (e) An investment may only be made if it is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

- (f) The above procedure should be followed for any investment irrespective of the duration of the investment.
- (g) All investments made by an investment officer, or by an investment manager on behalf of the Council, must be in accordance with this investment policy.
- (h) All investment documents will require two signatories, namely the Chief Financial Officer or his delegated official and one other senior official in the budget and treasury office. Specimen signatures must be held by all institutions that the Municipality deals with.

17. PRUDENTIAL'S

- (a) Investments must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- (b) May not be made for speculation but must be a genuine investment; and
- (c) Must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.
- (d) Employees involved in the investment process should refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees who handle the investments should disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.
- (e) Investment officers should avoid any transactions that might impair public confidence in the City of Matlosana.

18. PAYMENT OF COMMISSION

- (a) No fee, commission or other reward may be paid to a councillor, manager or any official of the municipality to a spouse or close family member of such councillor, manager or official in respect of any investment made or referred by the municipality.
- (b) If an investee pays any fee, commission or other reward to an

investment manager in respect of any investment made by the municipality, both the investee and the investment manager must declare such payment to the council of the municipality by way or a certificate disclosing full details of the payment.

19. RECORDS AND REPORTS

- (a) The CFO or the delegated official must keep all investment transaction in a proper register, in accordance with Generally Recognized Accounting Practices.
- (b) The CFO must within 7 working days at the end of each month report to the Accounting Officer/Accounting Officer the investment portfolio in a prescribed form as required by the Municipal Management Regulation.
- (c) The Accounting Officer must within 10 working days of the end of each month, submit to the Executive Mayor a report describing in accordance with Generally Recognized Accounting Practice the portfolio as at the end of the month.
- (d) The report must set out at least –
 - the market value of each investment as at the beginning of the reporting period;
 - any changes to the investment portfolio during the reporting period;
 - and the market value of each investment as at the end of the reporting period.

20. PORTFOLIO DIVERSIFICATION

- (a) Funds, which are not required for immediate cash expenditures or to maintain, required compensating cash balances should be invested in interest bearing investments or accounts.
- (b) To reduce overall portfolio risk while attempting to attain market rates of return consistent with the primary objectives of safety and availability of funds, investments shall be diversified across types of investments, maturities of those investments, and institutions in which those investments are made.

- Investment Instruments

Investments shall be made only in those instruments specifically authorized by the law.

- Institutions

The council must take all reasonable prudent steps consistent

with the investment policy and according to standard of care set out in Prudencalism in this policy, to ensure that it places its investments with credit-worthy institutions.

- i. Funds shall only be deposited in a financial institution whose performance has been reliable and whose safety rating, as determined by a reputable independent rating service
- ii. No single institution shall have, in cumulative total, as deposits and investments (other than safe kept investments) more than 50% of the City of Matlosana available funds for investment.
- iii. No funds may be invested in instruments that are prohibited by this policy.
- iv. When the appropriate Investment Officer or the Investment Manager must liquidate an investment that no longer has the minimum acceptable credit rating as specified in the investment policy.

21. RELATIONSHIPS WITH FINANCIAL INSTITUTIONS

All financial institutions with which the Council conducts investment activities must agree in writing to undertake reasonable efforts to prevent illegal and/or imprudent transactions involving the Council funds. Should it come to the attention of the Financial Services Manager that funds have been involved in illegal and/or imprudent transactions, this will be reported to the City of Matlosana along with options for dealing with the situation.

22. MISCELLANEOUS PROVISIONS

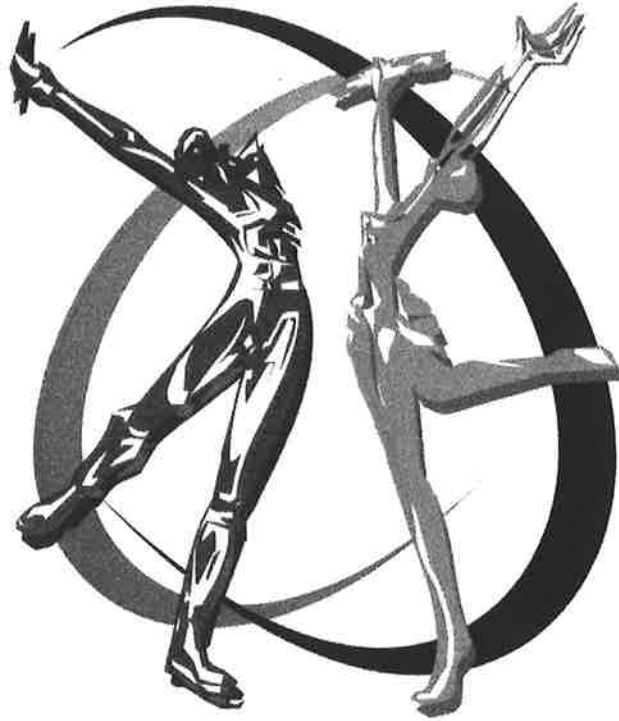
- (a) The responsibility and risk arising from any investment transaction vests in the Accounting Officer and the Chief Financial Officer.
- (b) All investments made by the municipality must be in the name of the Council.
- (c) No money may be borrowed for the purpose of investment.

23. INDEMNIFICATION OF INVESTMENT OFFICIALS

Any investment officer exercising his or her authority with due diligence and prudence, and in accordance with the requirements of the Act, will not be held personally liable for any individual investment losses or for total portfolio losses.

Council will however have the right to collect any losses from an official, if an investment is made contrary to the stipulation of this policy or when gross negligence can be proved.

THE INVESTMENT POLICY IS CHANGED IN ACCORDANCE WITH REGULATIONS SET OUT BY THE MINISTER OF FINANCE IN THE GOVERNMENT GAZETTE No. 27431



CITY OF MATLOSANA

**EXPENDITURE
MANAGEMENT POLICY
2019/2020**

TABLE OF CONTENTS

1. PREAMBLE	1
2. EXPENDITURE MANAGEMENT	1 – 5
3. STANDARD OPERATING PROCEDURE (SOP)	5
4. EFFECTIVE DATE	5

1. PREAMBLE

- ❖ The Municipality must at all times manage its cash and other assets in compliance with the provision of any further prescription made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

2. EXPENDITURE MANAGEMENT

2.1 OBJECTIVES

- ❖ To promote accountability and compliance with Municipal Finance Management Act 56 of 2003 on payment made by the municipality.

Expenditure Section within the Budget and Treasury Office must comply with the following section when dealing of the expenditure management:

MUNICIPAL FINANCE MANAGEMENT Act NO.56 of 2003, Chapter 8, section 65

- (1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
- (2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure—
 - (a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
 - (b) that the municipality has and maintains a management, accounting and information system which— (i) recognises expenditure when it is incurred; (ii) accounts for creditors of the municipality; and (iii) accounts for payments made by the municipality;
 - (c) that the municipality has and maintains a system of internal control in respect of creditors and payments;
 - (d) that payments by the municipality are made— (i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and (ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;
 - (e) that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;

- (f) that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;
- (g) that any dispute concerning payments due by the municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;
- (h) that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;
- (i) that the municipality's supply chain management policy referred to in section 111 is implemented in a way that is fair, equitable, transparent, competitive and cost-effective; and
- (j) that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.

2.2.1 PAYMENTS TO CREDITORS

- ❖ The Chief Financial Officer must ensure that all contracts awarded by the Municipality stipulate payment terms that are favourable to the Municipality. The municipality will strive to ensure that all payment to creditors are made within 30 days of receiving the invoice.
- ❖ The Accounting Officer has the powers to delay payment beyond 30 days on negotiations with the creditors should the municipality be unable to pay due to any challenges that may be faced by the municipality. If the payment is done within 10 days of receiving the invoice, the municipality should negotiate a discount for early payment.
- ❖ All payments vouchers must be scanned for electronic safe keeping. Hard copies must be in sequentially filled and stored in a secured room. The Manager Expenditure must be in possession of the keys to the room or any other responsible official delegates by him/her.
- ❖ Payments must only be made on Thursdays and/or dates indicated on the payment schedule approved by the Chief Financial Officer unless prior approval to effect payments on the different date is obtained from the Accounting Officer.
- ❖ No payment shall be effected prior the approval of the payment vouchers by the Chief Financial Officer.

2.2.2 MONTHLY RECONCILIATION

- ❖ The following monthly reconciliations must be prepared on a monthly basis and signed by the preparer and Chief Financial Officer.

2.2.2 .1 Creditors Reconciliation

- ❖ Monthly creditor's reconciliations with the relevant supporting documentation must be prepared on a monthly basis and signed off by Chief Financial Officer as evidence of review.

2.2.2.2 Vat Reconciliation

- ❖ Monthly vat reconciliation with the supporting documentations indicating the vat due or refundable to the South African Revenue Services (SARS) must be prepared and provided to the Chief Financial Officer for review and signature.

2.2.2.3 Salaries Reconciliation

- ❖ All the invoices of the monthly salaries related transactions between the General Ledger and the financial system must be prepared on monthly basis and provided to the Chief Financial Officer for review.

2.2.3 RECONCILIATION BETWEEN CASHBOOK AND BANK STATEMENTS

2.2.3.1 Payment reconciliations

- ❖ Expenditure section must on each day following the day payments were made reconcile the cashbook and the bank specifically on the expenditure payments made and clear all the discrepancies identified by passing the relevant journal entries were required.
- ❖ The payments to creditors reflected on the bank statements must be recorded on the cashbook before the end of each day and properly reconciled.
- ❖ Implementation of SOPs will improve internal controls, address policy gaps and weaknesses, bring changes that result in higher financial maturity and capability levels, build stronger institutions that are able to sustain good financial practices and contribute towards operational efficiencies.

2.2.2 FRUITLESS AND WASTEFUL EXPENDITURE

- ❖ Notwithstanding any provision in this policy section 32 of the Municipal Finance Management Act must take precedence in dealing with the wasteful and fruitless expenditure incurred by the municipality during any financial year.
- ❖ Fruitless and wasteful expenditure incurred by the municipality at any time during the financial year must be reported to the Council, Auditor General and the Provincial Treasury prior to the end of that financial year in terms of the MFMA Act 56 of 2003 requirements.
- ❖ The register of all fruitless and wasteful expenditure and wasteful expenditures must be kept and updated monthly with the expenditures of such nature.

2.2.3 RETENTION

- ❖ Expenditure Section must maintain a retention register and record retention on each payment made to the projects that attract retention. Monthly reconciliation of retention register and General Ledger must be prepared and signed off by the CFO as evidence of review.

2.3 SALARIES ADMINISTRATION EMPLOYEES AND COUNCILORS

MUNICIPAL FINANCE MANAGEMENT Act N0.56 of 2003, Chapter 8, section 66

The accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, and in a manner that discloses such expenditure per type of expenditure, namely—

- (a) salaries and wages;
- (b) contributions for pensions and medical aid;
- (c) travel, motor car, accommodation, subsistence and other allowances;
- (d) housing benefits and allowances;
- (e) overtime payments;
- (f) loans and advances; and
- (g) any other type of benefit or allowance related to staff.

Salary section receive inputs on a monthly basis. Overtime submission closes on the 10th of each month and travel claims submission on the 15th of each month

Source documents used

- ❖ To add new employees on the financial system
- ❖ To terminate employees (EXIT forms from HR)
- ❖ Long service payment & unpaid leave (Leave forms from HR/ Pay Office)
- ❖ Overtime payments (overtime files from records and application for payment of overtime forms)
- ❖ Standby allowance (standby forms from records)
- ❖ Payment of service workers (Time sheets)
- ❖ Garnishee deduction (Garnishee files from records)
- ❖ Acting allowance (Acting allowance letters)
- ❖ S & T Payments prepares by Pay office
- ❖ Telephone & cell phone deduction prepared by Pay office
- ❖ Medical aid billing from medical funds
- ❖ Home loans billing from housing schemes
- ❖ Banking details changes forms from HR
- ❖ Travel logbooks from officials
- ❖ All this information must reach salary section before or on the 15th of the month
- ❖ After capturing the information on financial system is closed to stop further entries on the system
- ❖ Variance Report is printed to check variances
- ❖ Municipality Recon is printed and checked
- ❖ The variance report and municipality recon are signed to certify the correctness of payroll by Accountant Salaries information is exported to Banking system for payment to employees
- ❖ Salary is paid on the 25th of the month
- ❖ Payslips are distributed to employees

WARD COMMITTEES

- ❖ Dept of Corporate Service (Speakers Office) prepare requisition with list of ward committees
- ❖ The requisition is captured on the financial system
- ❖ Ward Committees payments are done on the end of each month.

THIRD PARTY PAYMENTS

- ❖ Third party payments are done at month end and the first week on the following month

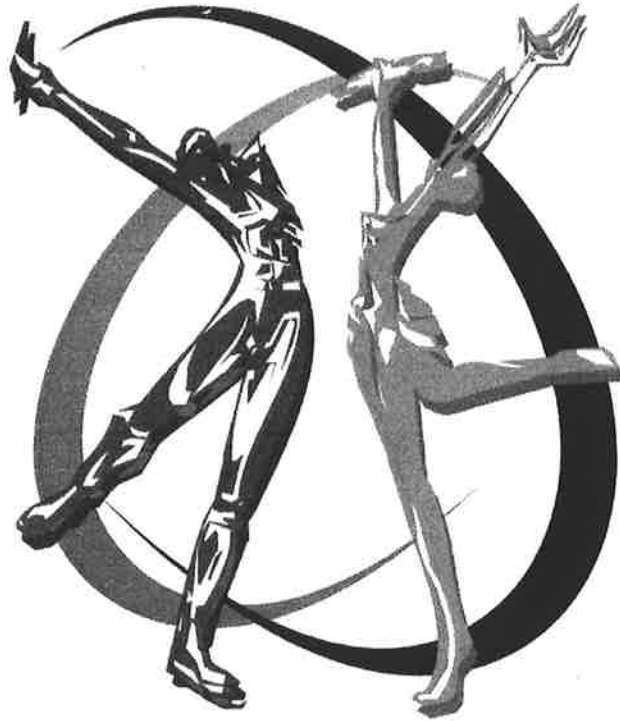
3. STANDARD OPERATING PROCEDURES(SOP's)

The Expenditure Management Section in Budget & Treasury Office should follow good financial practice as guided by MFMA Circular No. 87 of National Treasury.

The implementation of SOPs will improve internal controls, address gaps and weaknesses and

4. IMPLIMENTATION AND REVIEW OF POLICY

This policy shall be implemented from the date of approval by Council and shall be reviewed on annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



CITY OF MATLOSANA

**COST CONTAINMENT
POLICY
2019/2020**

TABLE OF CONTENTS

1. Definitions
2. Purpose
3. Objectives of the policy
4. Scope of the policy
5. Legislative framework
6. Policy principles
7. Use of consultants
8. Vehicles used for political office-bearers
9. Travel & subsistence
10. Domestic accommodation
11. Credit cards
12. Sponsorships, events & catering
13. Communication
14. Conferences, meetings & study tours
15. Other related expenditure items
16. Enforcement procedures
17. Disclosures of cost containment measures
18. Implementation & review process
19. Consequences for non-adherence to the cost containment measures
20. Short title

1. DEFINITIONS

"act" Means the Municipal Finance Management Act, 2003(Act no. 56 of 2003)

"consultant" means a professional person, individual partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

"cost containment" the measures implemented to curtail spending in terms of this policy.

"municipality" City of Matlosana Local Municipality

2. PURPOSE

The purpose of the policy is to regulate spending and to implement cost containment measures at the City of Matlosana Local Municipality.

3. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- 3.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;
- 3.2 To implement cost containment measures.

4. SCOPE OF THE POLICY

This policy will apply to all:

- 4.1 Councillors'; and
- 4.2 Municipal employees.

5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the -

- 5.1 The Municipal Finance Management Act, Circular 82, published on 7 December 2016;
- 5.2 Municipal Cost Containment Regulations, 2018; and
- 5.3 Travelling and subsistence policy.

6. POLICY PRINCIPLES

6.1 This policy will apply to the procurement of the following goods and/or services:

- (i) Use of consultants
- (ii) Vehicles used for political office-bearers
- (iii) Travel and subsistence
- (iv) Domestic accommodation
- (v) Credit cards
- (vi) Sponsorships, events and catering
- (vii) Communication
- (viii) Conferences, meetings and study tours
- (ix) Any other related expenditure items

7. USE OF CONSULTANTS

7.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.

7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

7.3 When consultants are appointed the following should be included in the Service Level Agreements:

- (i) Consultants should be appointed on a time and cost basis that has specific start and end dates;
- (ii) Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
- (iii) Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
- (iv) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.
- (v) Must have a skills transfer plan

7.4 Consultancy reduction plans should be developed.

7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.

7.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 8.1 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is greater.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.
- 8.3 If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as in 8.2, the chief financial officer must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
 - (ii) Affordability
 - (iii) Extent of service delivery
 - (iv) Terrain for effective usage of vehicle
 - (v) Any other policy of council
- 8.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.
- 8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometres only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

9. TRAVEL & SUBSISTENCE

9.1 An accounting officer:

- (i) May only approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less; and
- (ii) For flights that exceed five (5) hours of flying time, may purchase business class tickets only for accounting officers, and persons reporting directly to accounting officers.

9.2 Notwithstanding 9.1, an accounting officer may approve the purchase business class tickets for officials with disabilities.

9.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials that are directly involved with the subject matter will be allowed to attend the meeting or event.

9.4 Officials of the municipality must:

- (i) Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;
- (ii) Make use of a shuttle service if the cost of such a service provider is lower than:
 - the cost of hiring a vehicle;
 - the cost of kilometres claimable by the employee; and
 - the cost of parking.
- (iii) not hire vehicles from a category higher than Group B; and
- (iv) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

9.5 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

10. DOMESTIC ACCOMMODATION

10.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals, as communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

11. CREDIT CARDS

- 11.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer.
- 11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

12. SPONSORSHIPS, EVENTS & CATERING

- 12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.
- 12.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
 - (i) Hosting of meetings;
 - (ii) Conferences;
 - (iii) Workshops;
 - (iv) Courses;

- (v) Forums;
 - (vi) Recruitment interviews; and
 - (vii) Council proceedings
- 12.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000,00) per person per financial year, unless otherwise approved by the accounting officer.
- 12.4 Expenses may not be incurred on alcoholic beverages.
- 12.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any supplier or sponsor such as but not limited to:
- staff year-end functions
 - staff wellness functions
 - attendance of sporting events by municipal officials
- (Excluding municipal sporting events funded 50/50 by members and the municipality)
- 12.6 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.
- 12.7 Cost associated with the event for the inauguration of the Executive Mayor must be approved by a special council meeting resolution.

13. COMMUNICATION

- 13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- 13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- 13.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- 13.5 Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.
- 13.6 Cost for re-advertisements of tenders, vacancies, notices etc. that has resulted in fruitless and wasteful expenditure and be confirmed by a sec 32 committee investigation, need to be recovered through the municipal disciplinary processes.

14. CONFERENCES, MEETINGS & STUDY TOURS

- 14.1 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

- 14.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 14.3 When considering applications from officials to conferences or events within and outside the borders of South Africa, the accounting officer must take the following into account:
- (i) The officials role and responsibilities and the anticipated benefits of the conference or event;
 - (ii) Whether the conference or event will address the relevant concerns of the municipality;
 - (iii) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
 - (iv) Availability of funds to meet expenses related to the conference or event.
- 14.4 The amount referred to in 14.2 above excludes costs related to travel, accommodation and related expenses, but includes:
- (i) Conference or event registration expenses; and
 - (ii) Any other expense incurred in relation to the conference or event.
- 14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.6 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.
- 14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.8 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 14.10 Conference attendees must submit a report on the outcome of the conference to the accounting officer.

15. OTHER RELATED EXPENDITURE ITEMS

- 15.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.
- 15.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.

16. ENFORCEMENT PROCEDURES

- 16.1 Failure to implement or comply with this policy may result in any official of the municipality or political office bearer that has authorized or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the MFMA.

17. DISCLOSURES OF COST CONTAINMENT MEASURES

- 17.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.
- 17.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings, on the implementation of the cost containment measures must be submitted to the municipal council for review and resolution. The municipal council can refer such reports to an appropriate council committee for further recommendations and actions.
- 17.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

18. IMPLEMENTATION & REVIEW PROCESS

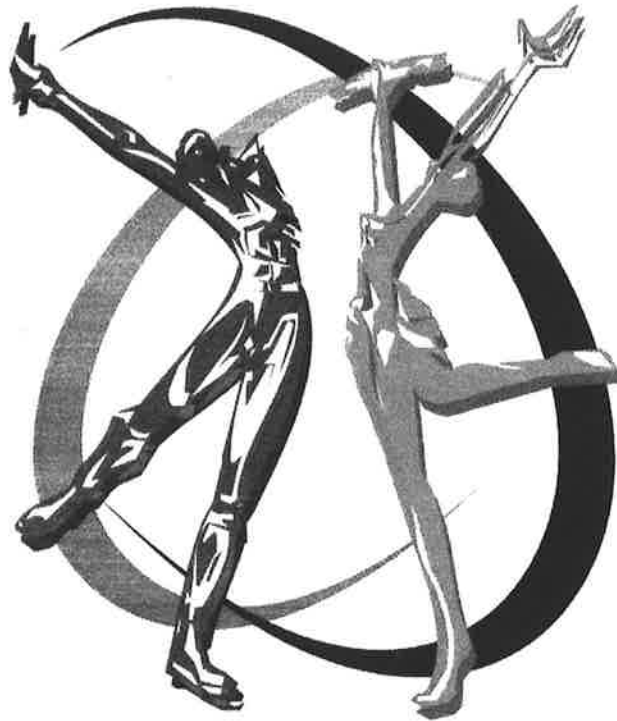
- 18.1 This policy will be reviewed at least annually or when required by way of a council resolution, or when an update is issued by National Treasury.

19. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

- 19.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 19.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 19.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 19.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:
- Findings and recommendations; and/or
 - Whether disciplinary steps should be taken against the alleged transgressor.
- 19.5 The accounting officer must table the report with recommendations to the municipal council.
- 19.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

20. SHORT TITLE

20.1 This policy shall be called the Cost Containment Policy of the City of Matlosana Local Municipality.



CITY OF MATLOSANA

**IRRECOVERABLE BAD
DEBT POLICY
2019/2020**

IRRECOVERABLE BAD DEBT POLICY

INDEX

	Page
1. Introduction	1
2. Interpretations	1-2
3. Criteria for irrecoverable debt	2-5
4. Other cases	5-7
5. Authorizations	7

1. INTRODUCTION

The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allows for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000) as amended. The Municipal Manager must provide Council with a policy and guidelines with regards to the writing off of irrecoverable debts / bad debts, owed by consumers to Council and to ensure that all outstanding amounts owing to Council can be recovered effectively and economically and are financially viable

2. INTERPRETATIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

"Act" - The Local Government Act: Systems Act, 2003 as amended from time to time;

"Authorized Representative" - Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

"Chief Financial Officer" - the person appointed by Council to administer its finances regardless of the designation or title attached to the post;

"Consumer" - any occupier of any property to which the Council has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

"Council" -the municipal Council of the City of Matlosana that is responsible for the collection of funds and the provision of services to the consumers of;

"Credit control and debt collection" - means the functions relating to the collection of any monies due and payable to the Council;

"Defaulter" - a consumer who owes money to the Council after the due date has expired;

"Households" - all matured persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

"Municipal account" - shall include levies or charges in respect of the following services and taxes:

1. electricity basic charges
2. electricity consumption,
3. housing rentals and instalments

4. interest and/or surcharges
5. miscellaneous and sundry charges
6. property rates,
7. refuse removal,
8. sewerage services (Basic and Additional Charges)
9. water basic charges,
10. water consumption,
11. VAT – Value added tax as determined by the VAT Act

“Municipal Manager” - the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

“property” - any portion of land, of which the boundaries are determined, within the jurisdiction of the Council.

3. CRITERIA FOR IRRECOVERABLE DEBT

Debt will only be considered as irrecoverable if it complies with the following criteria, provided there is sufficient provision for bad debt. The CFO shall write off any revenue which is irrecoverable or the recovery of which is considered not to be reasonably practicable

- 3.1. If contradictory to Councils Standard Financial By-Laws, Section 12
- 3.2. All reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount. However, in special cases where the requirements in terms of Council's Credit Control and Debt Collection Policy are impractical, the administration must motivate which other remedies were applied or actioned; or
- 3.3. any amount equal to or less than R1 000 or as determined by Councils Customer Care, Debt Collection and Credit Control Policy from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it can be written off without submission to Council; or
- 3.4. debt on an account which comprises of only interest
- 3.5. the cost to recover the debt does not warrant further action; or
- 3.6. the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
- 3.7. there is a danger of a contribution;
- 3.8. no dividend will accrue to creditors; or

- 3.9. a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
- 3.10. In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate or if an estate has no income or has not been registered and the death can be proved by any means, any amount not being recovered due to insufficient funds be written off.
- 3.11. it has been proven that the debt has prescribed; or
- 3.12. the debtor is untraceable or cannot be identified so as to proceed with further action; or
- 3.13. the debtor has emigrated leaving no assets of value to cost effectively recover Councils claims;
- 3.14. it is not possible to prove the debt outstanding; or
- 3.15. a court has ruled that the claim is not recoverable; or
- 3.16. the outstanding amount is due to an irreconcilable administrative error by the Council; or
 expenditure incurred, in respect of internal accounts raised in the name of the City of Matlosana, in any previous financial year; or
 if an offer of full and final settlement is confirmed in writing by the City Manager in terms of the City of Matlosana: Credit Control and Debt Collection By-law; or
- 3.17. all arrears may be written off to bad debts where Council-
 - 3.17.1. expropriates any property; or
 - 3.17.2. purchases any property in terms of item Section 4 of this policy
- 3.18. all arrears may be written off to bad debts where a property has been forfeited to the State in terms of the Prevention of Organized Crime Act 121 of 1998; or
- 3.19. where the occupiers have been evicted from Council, Provincial or State properties due to criminal activities; or
- 3.20. through supporting the City's housing related debt management processes and in instances where a housing debtor has applied for and been granted a housing indigent grant in terms of the Housing Indigent Policy, All debt related to that property for that debtor (excluding capital debt of home ownership units), up to the date of granting of indigent status will be written back. Such write back will occur only once for any debtor, thereby allowing for a once off rehabilitation, where after the debtor will immediately be subject to the Customer Care, Credit Control & Debt Collection policy should the account again fall into arrears; or

- 3.21. where the Housing advises the Chief Financial Officer that a housing debtor has been granted a housing indigent grant such debtors rates, services and sundry debt related to that property for that debtor shall be written off once; or
- 3.22. should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- 3.23. should the Municipal Manager become aware that the focus of an organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 3.24. Where registered non-profit organizations or public benefit organizations would, except for being in arrears on their Municipal accounts, qualify to receive a rates rebate, in terms of the Rates Policy, will, with effect from the date of qualification, have all their arrears written off, thus ensuring that they meet all the criteria to receive the rates rebate and;
- 3.24.1. this assistance will only be granted once to an organization subject to the condition that an electricity prepayment meter must be installed at the organizations cost, where applicable;
- 3.24.2. should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- 3.25. should the Municipal Manager become aware that the focus of the organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 3.26. Arrears on closed tenant accounts which have debt which exceeds 1,080 days (3 years) and cannot be linked to an account on Councils financial system, not exceeding R500 on the account may be written off with approval of the Chief Financial Officer. Any amount exceeding R500 must be submitted to Council for approval to write off.

3.27. Irrecoverable debt of registered indigent consumers will be written off on a once off basis by Council subject to the stipulations in the Indigent policy.

4. OTHER CASES

4.1. Housing

The allocation of stands and or houses (low cost) with State or Council associated funds by the applicable directorate, has in some instances resulted in debt being raised and carried on Council's Financial system in the name of the intended beneficiary as per Council's records, but who never took occupation of the property for one or more of the reasons that follows herein after or for a dispute that arose and can reasonably be motivated by the applicable Director or his/her delegated official.

- 4.1.1. Occupation taken by illegal occupants
- 4.1.2. Failure to have informed the intended beneficiary
- 4.1.3. Failure of beneficiary to take occupation of the property due to the fact that the beneficiary cannot be traced
- 4.1.4. Alteration of allocation not effected in council's records

4.2. The following scenarios are reflected;

All scenarios are subject to the conditions reflected in paragraph 1 above and are the responsibility of the Housing Manager

4.2.1. Where a debtor is untraceable or cannot be identified to proceed with further action, the Housing Manager or his delegate shall accordingly inform the CFO for possible write off and the delegated housing official shall re allocate the stand to a new occupant.

4.2.2. On all residential permits issued for the historical townships, it is clearly stipulated that the allocated person shall take occupation or develop the site within three months from the date of signature of that permit. All such abandoned stands shall be identified and be reallocated by the delegated housing official on a "Voetstoots" basis and shall be approved by the Housing Manager or his delegate.

4.2.3. That all such privately owned properties be identified and be immediately handed over to Council's panel of attorneys for collection. When all legal avenues have been exhausted and amounts owed cannot be recovered, such cases be referred to the relevant Court for possible attachment of that immovable property.

4.2.4. In case of death of the debtor, a creditor's claim must be timeously registered against the deceased's estate, failing which the property be handed over for collection. (Estate). Such properties may ultimately be deregistered and shall revert back to Council.

4.2.5. That all cases where the estate (next of kin) is indigent and cannot afford the transfer costs from the deceased, Council seek funding either internally, or externally to resolve this challenge and that Council writes off the amounts due by the deceased.

5. CLEARANCE CERTIFICATES

5.1. In terms of legislation the Council will under normal circumstances not issue a clearance certificate on any property unless all outstanding amounts are paid to date. However due to the potential lack of resources of Council to implement its credit control policy, it might be possible that such a property may have accumulated such a significant outstanding balance over a period of time that it may not be within the ability of the new owner to pay such an amount in order to obtain a clearance certificate.

5.2. Where such circumstances may prevail the prospective new owner may apply to the Council for relief of such outstanding debt or a portion thereof.

5.3. Such application must be submitted to the Chief Financial Officer for consideration. In reviewing such application, the Chief Financial Officer must ensure that;

5.3.1. Reasonable measures have already been taken to recover the outstanding amount from the current debtor.

5.3.2. The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued.

5.4. It is not in the interest of the Council and/ or the community to withhold a clearance certificate before the outstanding debt is fully paid

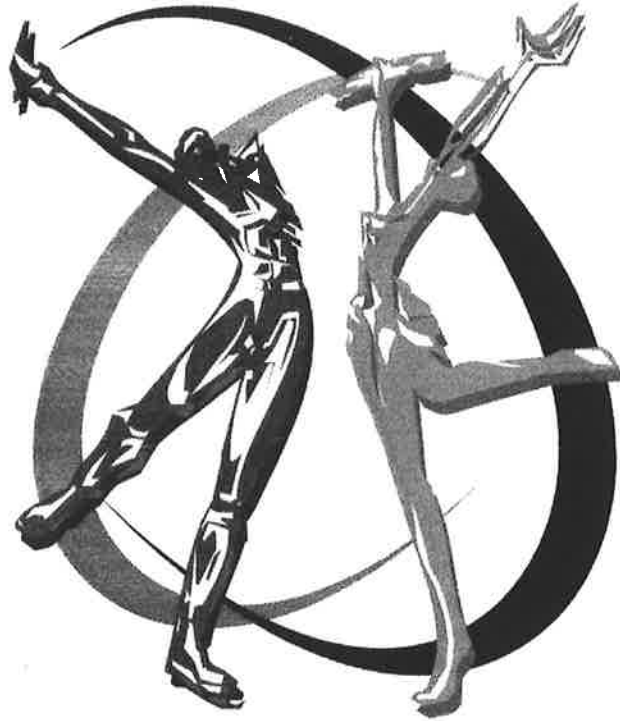
5.5. Any amount to be written off in terms of paragraph 2.2 above must be subject to the provision of paragraph 4 below.

5.6. Meritorious Cases

Notwithstanding the framework provided in this policy for the writing off of irrecoverable debt, Council mandates the CFO or his / her delegate to consider and recommend to Council meritorious cases and provide reasons for same.

6. AUTHORIZATIONS

- 6.1. The Chief Financial Officer or his delegated person as a delegated authority may approve debt below R1 000 as stipulated in point 3.3. for writing off.
- 6.2. debt on an account which comprises of only interest may written off by the Chief Financial Officer or his delegated person as a delegated authority, due to the fact that there is no capital amount outstanding
- 6.3. In respect of other debt above R1 000, schedules indicating the debtor account number, debtors name and physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled and submitted to Council for approval as irrecoverable debt and writing off.
- 6.4. Notwithstanding the above, the Municipality or its authorized officials will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.



CITY OF MATLOSANA

**INDIGENT RELIEF POLICY
2019/2020**

CITY OF MATLOSANA
INDIGENT RELIEF POLICY

TABLE OF CONTENTS

	PAGE
1. PRE-AMBLE	3
2. SOURCE OF INCOME	5
3. STANDARD OF SERVICES	6
4. CRITERIA FOR INDIGENT SUPPORT	7
5. LEVEL OF INDIGENT SUPPORT	8-9
6. BURIAL / CREMATION BENEFITS	11
7. DISTRIBUTION OF INDIGENT SUPPORT	13
8. APPLICATION FOR INDIGENT SUPPORT	14-15
9. COMMUNITY INVOLVEMENT	16
10. CONSEQUENCES IN CASE OF FALSE INFORMATION	16
11. REPORTING REQUIREMENTS	16-17
12. ANNEXURE" A" 1-4	18
13. ANNEXURE" B" 1-4	22

INDIGENT RELIEF POLICY

1. PRE-AMBLE

One of the main objectives of the Council is to ensure the provision of basic services to the community in a sustainable manner. This objective will however, only be possible within the financial and administrative capacity of the Council. The Council recognizes the fact that the community has a right of access to basic services, but the community also has an obligation to settle their monthly services accounts.

The Council also recognizes the fact that many of the residents can simply not afford the cost of full service provision and for this reason, the Council will endeavour to ensure affordability through:

- Setting tariffs in terms of the Council's Tariff Policy, which will balance the economic viability of, continued service delivery.
- Determining appropriate service levels.

Legal and Constitutional Requirements

The Constitution of South Africa of 4 February of 1997

Local Government: Municipal Structures Act No. 117 of 1998 as amended

Local Government: Municipal Structures Amendment Act No. 33 of 2000

Local Government: Municipal Systems Act No. 32 of 2000 as amended

Local Government Property Rates Act No 6 of 2004 as amended

Municipal Finance Management Act No. 56 of 2003 as amended

Water Services Act No. 108 of 1997 as amended

Division of Revenue Act 3 of 2017 as amended

Local Government: Municipal Demarcation Act No 27 of 1998 as amended

DEFINITIONS

"Indigents" Indigents are defined as those people, due to a number of factors, who are unable to make monetary contribution towards basic services, no matter how small the amounts seem to be. Examples are pensioners, unemployed, child headed families, and youth headed families.

"Household" is defined as all adults and children living on a single property. An indigent policy will thus refer to fairly limited set of administrative procedures within the income function for distributing grant support to reduce the municipal account to particular households.

As per the indigent policy, an indigent database refers to a database that The City of Matlosana Local Municipality establishes to register and monitor all households that are categorised as per financial definition of an indigent.

"Basic municipal services" means a Municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health, safety or the environment.

"CFO" means the Chief Financial Officer of the City of Matlosana Local Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003 as amended

"Child Headed" means a household where all members are under 18 years

"Consumer" means the owner of the premises to which the council has agreed to supply or is actually supplying municipal services, or if there is no occupier, then the owner of the premises.

"Council" means-

- a) A municipal council as referred to in section 157 of the Constitution
- b) Matlosana Local Municipality exercising a delegated power or carrying out an instruction, where any power in this policy has been delegated, or sub delegated, or an instruction given as contemplated in section 59 of the Act;

"Disabled" means a household headed by a disabled person. (Physically or Mentally)

"Employed" means a household earning an income that is below the income as determined below.

"Municipal Manager" means the person appointed at Matlosana Local Municipality in terms of section 82(1)(a) or (b) of the Municipal Structures Act as amended.

"Occupier" in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

"Unemployed" means household of which there is no income or income or household income is as determined below

"Youth Headed" means a household where all members are between 18 and 35 years of age.

2. SOURCE OF INCOME

The Council needs to have access to adequate sources of revenue in order to fulfil its constitutional obligation. The available sources should be fully exploited to meet the development objectives.

Two main sources of income exist.

- Own revenue which is the main source of income to the Council and which is based on the economic costs to render the service required by the community.
- Transfers from other spheres of government of which intergovernmental transfers are the most important. A portion of this income (equitable share) is earmarked for indigent relief, which will be used to alleviate and address poverty.
- As such, the subsidy can only be credited to the qualifying customer's accounts until the amount received by the Municipality from National Government for this purpose has been exhausted, whereupon no further credits will be made, or the level of the credits reduced, until further national funds are received

3. STANDARD OF SERVICES

The Council accepts that they are responsible for the rendering of services in terms of schedules 4 and 5 of the Constitution as well as other services, which may be delegated by National and Provincial Government.

The Council will endeavour to render a basic standard and level of services necessary to ensure an acceptable and reasonable quality of life and which takes into account health and environmental considerations. None of the residents should fall below the minimum standard of services as is embodied in the Council's Financial Policies.

The Council realizes that in certain circumstances and as a result of past policies, certain services are available to communities, the cost of which are beyond the financial means of such communities, and will through this policy assist those communities within the financial ability of the Council.

In each instance, the economic cost to render the services shall be calculated in accordance with the Council's Tariff Policy.

4. CRITERIA FOR INDIGENT SUPPORT

The basic point of departure is that Council will assist, through funds received from National Government; to provide basic services to "poorer" households within the Council's service provision area in this regard no discrimination on any grounds will be allowed.

In order to qualify for financial assistance, the following will apply:

- 4.1. Only **registered residential/farm occupied consumers** of services delivered by the Council will qualify.
- 4.2. **No residential consumer conducting a business** from the residential property, with or without special consent obtained from the Council or with or without existing usage rights, **shall qualify for assistance.**
- 4.3. Occupants/residents who own more than one property and occupying a house where application is sought will render such application of the owner/occupier invalid.
- 4.4. Where a tenant is renting a property, or receiving accommodation for free, from an owner of a house, fully motivated applications and proof, together with a sworn affidavit from the owner and verification from the ward councillor must be submitted
- 4.5. Where the registered owner or occupant is deceased and **underage children** of the deceased are residing in the house, the **relevant documentation** to this effect must be produced.
- 4.6. The account holder must apply in person and **must present the following documents** upon application:
 - 4.6.1. The latest municipal account in his/her possession.

- 4.6.2. Account holder's identity document.
 - 4.6.3. Pension certificates and/or card /or affidavit
 - 4.6.4. Proof of income (if any)
 - 4.6.5. Information of other individuals residing with the applicant.
- 4.7. Only households where the total household income is less or equal to R3 600.00 (Three thousand six hundred rand) per month may apply for indigent support.
 - 4.8. Every applicant must complete an application agreement. This agreement must include an affidavit and a customer profile of the household.
 - 4.9. An approved indigent subsidy is valid for a period of two years or until Council decides to cancel all previous applications and indigents will have to renew their applications, or as soon as the circumstances have changed of an indigent debtor, or on an annual basis based **from** the approval date of the application
 - 4.10. No pensioner indigents, whose indigent subsidy has been approved from the preceding financial year, need to reapply for the subsidy, as it is automatically approved. Pensioners only need to verify that they are still alive
 - 4.11. All indigent applicants must give permission that an ITC check may be done on them to verify their claimed indigent status if needed. Failure thereof will cause the application not to be considered and approved
 - 4.12. No debt collection or credit control measures will be instituted against an indigent household, so long as consumption over and above the free use is paid in full.

5. LEVEL OF INDIGENT SUPPORT

- 5.1. The level of indigent support will be as follows:

5.1.1. Water:

5.1.1.1. Usage: An indigent subsidy amount equal to the value of 6kl water and thereafter normal tariffs will apply which is payable by the Indigent consumer.

5.1.1.2. Basic Fees: A subsidy amount equal to the value of the basic fees as determined by the water tariffs

5.1.2. Refuse removal:

Removal once (1) a week of 85 or 240 litre container: Free of charge per month

5.1.3. Sewerage:

Cost of drainage basic charge plus additional sewerage charge per dwelling house:
Free of charge per month.

5.1.4. Electricity:

5.1.4.1. Usage - A maximum indigent subsidy of 50 kWh free of charge and thereafter-normal tariffs will apply which the Indigent consumer must pay

5.1.4.2. Basic Fees: An indigent subsidy amount equal to the value of the basic fees as determined by the electricity tariffs

5.1.5. Free Basic Alternative Energy

Those indigent South African consumers who do not have access to electricity qualify for alternative energy sources. According to the National Policy for Indigents, paraffin may be utilised as one of the core sources for alternative energy. It must be noted that the applicants must be in an area where numbers of persons reside and not individual applicants. These consumers will qualify for;

5.1.5.1. Two single plate paraffin stoves, two paraffin lamps and one paraffin pump, will be supplied once off annually because lifespan or a guarantee of items mentioned is twelve months.

5.1.5.2. 20 litre of illuminating paraffin per month in order to utilize the supplied items and thereby have access to alternative energy.

5.1.5.3. One 2.5kg fire extinguisher, once off and will be maintained and refilled annually. Indigent consumers who reapply in the following financial year will not qualify to receive a fire extinguisher.

5.1.6. Property Rates:

100% of the rates as subsidized by the Property Rating Policy will be subsidized for indigent residents. The gross total household income of the residential property may not exceed or equal than R3 600.00 (Three thousand six hundred rand)

5.2. METERED SERVICES

5.2.1. Where a consumer who is classified and approved as an indigent in terms of Council's policy, exceeds an average usage of 450kWh conventional electricity over a three-month period, a pre-paid electricity meter may be installed, without the consumers' consent.

5.2.2. Where a consumer who is classified and approved as an indigent in terms of Council's policy exceeds an average usage of 20 kl over a three months' period, Council may install a water restriction device without the consumers' consent.

5.2.3. These installations are at Councils cost from the Inter-Governmental Grant. Indigent consumers are obligated to comply with these installations. Should the consumer fall into arrears the prepaid electricity may be disconnected.

5.2.4. The Council via the Inter-Governmental Grants shall finance the transfer from a conventional electricity meter to a prepaid electricity meter and the installation of a water restriction device.

5.2.5. The level of support to indigent consumers on the replacement of stolen service (consumer) cables be limited to one replacement free of charge and thereafter the indigent consumer be liable for replacement thereof.

5.2.6. That the level of support to indigent consumers for replacement of meter and ready board when a house is damaged through fire, one

time free of charge, and thereafter the consumer be liable for the replacement of the meter and/ or ready board.

5.3. It may happen that even with the introduction of the indigent policy, certain households may fall into arrears in respect of the amounts due by them. The property owner or accountholder concerned will have to make immediate arrangements with the municipal manager, or his nominee, to pay off these arrears within a reasonable time determined by the municipal manager in terms of the Municipality's Credit Control and Debt Collection Policy. If these arrangements are not made, no subsidies will be paid or free services provided, and services may be terminated in terms of the municipality's credit control and debt collection policy.

In all instances, the actual indigent support shall be calculated taking due cognisance of the amount received, the number of applications received and the standard and level of services.

6. INDIGENT BURIAL BENEFITS

Any member or family of a registered indigent who resides within the municipal area of the City of Matlosana and provision will be made for those that are not registered but meet all other criteria for burial benefit who applies for indigent burial assistance will be required to submit of the following documents as proof:

- Applicant's Identity document SA green barcoded ID or ID Card
- Deceased's Identity document SA green barcoded ID or ID Card
- Death certificate of the deceased
- Certified copy of death notification BI 1663
- Proof of registration of indigent subsidy from the municipalities Finance OR a motivation letter from Ward Councillor in the case of informal settlement or farms.
- Affidavit by South African Police Services (SAPS) as proof by the family member or relative declaring that they cannot afford to bury / cremate the deceased due to a lack of income

- Indigent persons who reside in a temporary structure on a consumer's property will also qualify for Indigent Burial Benefits under the following conditions:
 - The owner of the property must provide an affidavit that the person resides on the property and that they are indigent
 - The ward councillor must verify and approve the affidavit of the owner stating that the person resides on the property and that they are indigent.

6.1. The Municipality will incur the costs relating to the transport to a mortuary, a standard coffin, and cost for the grave. No relative or friends have any claim against the Municipality whatsoever.

6.2 The family or relative of the deceased buried as an indigent will be allowed to erect a tombstone on the grave after 90 days of burial, at their own expense.

6.3 The next of kin will receive the reservation certificate and grave number upon a written request.

6.4 Services to registered indigent households that have in terms of the credit control policy, been restricted, removed, or disconnected will be temporarily re-instated for a period of 14 days to cater for the funeral. The cost of re-instatement of services will be debited to his/her municipal services account.

6.5. All requests for indigent burial / cremation will be referred to and considered by the City of Matlosana Health Services Department only.

6.5.1. Burials will be conducted from Monday to Sunday.

6.5.2. Burial and arrangements will be concluded according to specifications as determined by Council

6.5.3. The contracted funeral undertaker will bury the deceased closest to the area of residence of the deceased, but within the boundaries of the City of Matlosana.

6.5.4. All indigent burials from Klerksdorp/ Tshepong Hospital Complex will be attended to by a designated official of said hospital.

The thresholds that are payable are as follows, and shall increase annually subject to Council approval with annual budget

AGE OF BENEFICIARY	TOTAL COSTS 2019/2020 (Mortuary Costs & Coffin & Grave)
0-3 Years (Including stillborn)	R 2,500.00
4-14 Years	R 3,200.00
Adults	R 5,500.00
Oversized adults	R 7,100.00
Cremations	R 7,092.00
Exhumations	R 6,805.00

6.6. LIST OF EXCLUSIONS

The following is a list of exclusions from benefits:

6.6.1. A non-resident who died outside the jurisdiction of the Matlosana municipality

6.6.2. Other related items: flowers and catering

The municipality reserves the right to refuse to pay the costs of an indigent burial/cremation in instances where evidence indicates that the family may have been in a position to conduct its own burial or in instance where the municipality was misinformed. These costs will be recovered in such instances from the responsible person.

7. DISTRIBUTION OF INDIGENT SUPPORT

Indigent relief will only be granted to those residents who applied for assistance, qualified in accordance with criteria as determined, and will be applied as follows:

7.1. The qualifying recipients of the indigent relief will receive a monthly account indicating that no charges were raised for services as set out Clause 5(i).

7.2. The qualifying recipients will also receive a monthly free prepaid electricity token for 50 kWh if a prepaid meter has been installed.

7.3. The qualifying recipients who fall under the alternative energy subsidy will receive two single plate paraffin stoves and two paraffin lamps, one paraffin pump once a year and one 2.5kg fire extinguisher and once off. Recipients, who requalify in the subsequent financial years and have received this item, will not be issued with another fire extinguisher, which the City of Matlosana will maintain and refill as required by the Health

and Safety act 85 of 1993 as amended. It will be the recipients' responsibility to keep the City of Matlosana informed of this regard.

7.4. Thereafter they would receive 20 litres of paraffin per month for the utilisation of the alternative energy.

The Council undertakes to advertise the existence of the indigent relief program on an annual basis with the budget consultations process.

8. APPLICATION FOR INDIGENT SUPPORT

8.1. The application form attached as annexure "A" will apply.

8.2. All residents complying with the criteria may apply for indigent relief.

8.3. No retrospective applications will be considered

8.4. All applications must be made on the prescribed form and all additional information must be supplied (together with documentary proof where required).

8.5. The onus is on the account holders to apply for support.

8.6. The completed application will be forwarded to the Ward councillor or under extreme circumstances to the deployed PR Councillor for verification in the absence of the ward councillor

8.7. The indigent support will only be affected after the verification of the application by the Ward Councillor or under extreme circumstances the deployed PR Councillor for verification in the absence of the ward councillor and will become effective within a maximum of two months or less after approval.

8.8. Debtors who qualify and become registered as indigent, will have their arrears, excluding tampering fines, written off only once upon registration approval during ownership/occupation of the property and will be subject to the items below, should it become known that false information was submitted with their application. Tampering fines may be paid off according to Councils Customer Care, Debt Collection, and Credit Control Policy

8.9. Indigent Consumers must take note that when a consumer has been registered as an Indigent and a write off of arrears has been done, no further write offs of arrears with the renewal of an Indigent subsidy will be allowed in the subsequent years

8.10. No property may be sold by the indigent consumer within a time frame of 36 months, after any write offs have been done, should this occur then the new owner will be held liable to pay the amounts that have been written off

8.11. Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of a change in circumstances within the household:

8.12. The indigent support will be stopped immediately.

8.13. The recipient may be liable for the repayment of all indigent support received for the period involved which amount will be debited against the consumers account.

8.14. Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.

8.15. Criminal charges may be instituted against the account holder for supplying false information.

8.16. The recipient of indigent relief must notify the Council immediately if there is a change in the financial situation within the household.

8.17. The replacement of stolen cables of Indigent consumers will only be done twice. Further costs are for the consumer

9. COMMUNITY INVOLVEMENT

The Council relies on the community's participation in applying for indigent relief and it is a priority of all Councillors to ensure that indigents consumers are registered.

Council will be furnished with a report on a basis as determined by Council indicating:

9.1. The financial implications of the indigent support program

9.2. A schedule of the progress of the indigent registrations

The above is also available to the public for general notice and can be reported by the public to Council by means of sworn affidavits of false information.

A reward of R500 or as determined otherwise by Council, per case after investigation and proof of guilt will be paid to any person who reports the misuse of the indigent subsidy.

The community must be informed of such rewards by means of notices at all pay points and other notice boards of Council, by Councils Communication Section.

10. CONSEQUENCES IN CASE OF FALSE INFORMATION

Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of any change in circumstances within the household:

- 10.1. The indigent support will be stopped / cancelled immediately.
- 10.2. The recipient will be liable for the repayment of all indigent support received for the period involved which amount will be debited against the consumers account.
- 10.3. Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.
- 10.4. Investigations may be made with Insurances companies or any other institutions to determine if there are "Burial Policies" which are relevant to the indigent burial benefits
- 10.5. Criminal charges shall/may be instituted against the account holder, official, or councillor for supplying false information.

11. REPORTING REQUIREMENTS

The municipal manager or his nominee shall report on a basis as determined by Council on the following:

- 11.1 the number of households registered as indigents;
- 11.2. the monetary value of the actual subsidies and rebates granted;
- 11.3. The number of households registered for Free Basic Alternative Energy
- 11.4. the budgeted value of the subsidies and rebates concerned; and

The above information accumulatively for the financial year to date.

CITY OF MATLOSANA INDIGENT APPLICATION FORM 2019/2020	ANNEXURE "A"1
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SECTION A – ACCOUNT INFORMATION: **APPLICATION NUMBER:** _____

Account Name:	Date of application:
Account Number:	Address:
Erf no:	
Council/Eskom Pre-paid meter number:	Ward Number:

SECTION B - TERMS AND CONDITIONS:

- Only households where the total household income is less or equal to R3 600.00 (Three thousand six hundred rand) per household of Councils policy may apply for support.
- External verification will be done using the ITC as well a physical audit to confirm the household financial status. Upon signing this application, the consumer gives consent to such checks.
- False information or the withholding of information will disqualify anyone from further participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;
- Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.
- No property may be sold by the indigent consumer within a time frame of 36 months, after any write offs have been done, should this occur then the new owner will be held liable to pay the amounts that have been written off
- The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.
- The City of Matlosana reserves the right to collect any outstanding debts on the account by means of the pre-paid services, in a portion not excessive in relation to the purchases made by the accountholder.
- That City of Matlosana may issue my Free Basic Electricity (50 units) via my cell phone

I, hereby declare that I am the **registered owner/lessee** of the above erf/stand and that the said property is inhabited and controlled by me. I further declare that I fully realize that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I confirm that I have read, understood, and accepted the terms and conditions stated above. I also give my permission that a credit check may be done on my details to determine the validity of my information and that my indigent status may be listed at an ITC institution.

I/we*, the undersigned Applicant(s), hereby give consent to SARS to disclose my/our information to the Municipality [name of municipality] and the National Department of Cooperative Governance (COGTA) for purposes of verifying the details of my/our income levels that I/we* have disclosed to the Municipality in support of my/our* application for a municipal indigent grant.

Declared and signed at..... On the day of 20.....

.....
NAME OF APPLICANT (BLOCK LETTERS)

.....
NAME OF INTERVIEWER (BLOCK LETTERS)

.....
SIGNATURE OF APPLICANT

.....
SIGNATURE OF INTERVIEWER

The application **must** be accompanied with copies of the applicants:

- | | |
|---|--|
| <ul style="list-style-type: none"> ➤ Municipal account ➤ Proof of income / pension certificates | <ul style="list-style-type: none"> ID document Individuals residing with the applicant |
|---|--|

SECTION B - PERSONAL INFORMATION:**ANNEXURE "A"2**

Surname:		Other Names:	
Residential Address:		Postal Address:	
Contact Number / Cell phone number		Marital Status: (Mark with an X)	
		Married Single Divorced Widowed	
Husband: Birth date:		Wife: Birth date:	
D	D	/	M
M	M	/	C
C	C	Y	Y
ID number:		ID number:	
Pension number:		Pension number:	

**SECTION C
INDIVIDUALS RESIDING WITH THE APPLICANT**

NAME	SURNAME	RELATIONSHIP	ID NUMBER	INCOME

SECTION D – FINANCIAL INFORMATION

Details of Gross Monthly Income (in Rand)					
	Husband	Wife	Children living with parents	Other	TOTAL
a) Salary	R	R	R	R	R
b) Wage	R	R	R	R	R
c) Pension : Employer	R	R	R	R	R
Disability	R	R	R	R	R
Old Age	R	R	R	R	R
d) Board / Rental	R	R	R	R	R
e) Child support	R	R	R	R	R
f) Informal / Casual work	R	R	R	R	R
g) Other	R	R	R	R	R
Total Gross Monthly Income					

Occupant Name:	Date of application:
Account Number:	Address:
Erf no:	

Do you own or rent other property except the one above: YES / NO

If YES, please specify details: _____

DATE

DATE

SIGNATURE OF VERIFIER (ITC CHECK)

SIGNATURE OF WARD COUNCILOR

GENERAL

ANNEXURE "A"3

COMMENTS OF THE VERIFIER (CONDITIONS, ETC.)

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ANNEXURE "A"4

Name (BLOCK LETTERS)

OFFICE USE ONLY:

SECTION E - CHECKLIST:

	Please Tick
ID document	
Documentary proof of total gross income of household namely account holder, spouse, and persons older than 18 years of age (including children) residing on the premises.	
List of all residents on premises. (Ages must be specified, and copies of Identity Documents attached).	
Proof of pension/grants.	
Proof of unemployment. Department of Manpower and/or unemployment insurance certificate, original letter of religious leader to confirm unemployment and sworn affidavit by applicant.	
Birth certificates / ID documents of dependent children and or a court order that confirms guardianship.	
If owner of motor vehicle , full particulars as well as means of finance.	
Latest municipal rates and services account.	
Copy of Prepaid electricity slip	
Does the applicant own or rent other properties	

Approved		Declined		Date:	
Reason if declined:					
Date of letter to applicant:					
Name of official:					

**CITY OF MATLOSANA 2019/2020
INDIGENT APPLICATION FORM FOR RURAL DEVELOPMENT PROGRAMME**

SECTION A – ACCOUNT INFORMATION:

ANNEXURE “B”1

Farm Name:	Date of application:
Farm Owner:	Farm /Plot Address:
Erf no:	
Council/Eskom Pre-paid meter number:	Ward Number:

SECTION B - TERMS AND CONDITIONS:

- Only households where the total household income less or equal to R3 600.00 (Three thousand six hundred rand) will qualify.
- Only one person per household may apply and receive Free Basic Alternative Energy (two dwelling in the same yard will receive one supply)
- External verification may be done using the ITC as well as physical audits to confirm the household's financial status. Upon signing of this application, the consumer gives consent to such checks.
- False information or the withholding of information will disqualify anyone participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;
- Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.
- The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.
- That Matlosana City council may issue my Free Basic Alternative Energy via the service provider

I, hereby declare that I am the **registered owner/lessee** of the above erf and that the said property is inhabited and controlled by me. I further declare that I fully realize that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I confirm that I have read, understood and accepted the terms and conditions stated above. I also give my permission that a credit check may be done on my details to determine the validity of my information and that my indigent status may be listed at an ITC institution.

I/we*, the undersigned Applicant(s), hereby give consent to SARS to disclose my/our information to the Municipality [name of municipality] and the National Department of Cooperative Governance (COGTA) for purposes of verifying the details of my/our income levels that I/we* have disclosed to the Municipality in support of my/our* application for a municipal indigent grant.

Declared and signed aton the day of 20.....

.....
NAME OF APPLICANT (BLOCK LETTERS)

.....
NAME OF INTERVIEWER (BLOCK LETTERS)

.....
SIGNATURE OF APPLICANT

.....
SIGNATURE OF INTERVIEWER

The application **must** be accompanied with copies of the applicants:

- Letter from farm owner / Letter of oath
- ID document
- Proof of income / pension certificates

SECTION C - PERSONAL INFORMATION:

ANNEXURE "B"2

Surname:					Christian Names:														
Residential Address:					Postal Address:														
Contact Number / Cell phone number					Marital Status: (Mark with an X)														
					Married		Single		Divorced		Widowed								
Husband:					Wife:														
Birth date:					Birth date:														
D	D	/	M	M	/	C	C	Y	Y	D	D	/	M	M	/	C	C	Y	Y
ID number:					ID number:														
Pension number:					Pension number:														

SECTION D – FINANCIAL INFORMATION

Details of Gross Monthly Income (in Rand)					
	Husband	Wife	Children living with parents	Other	TOTAL
a) Salary	R	R	R	R	R
b) Wage	R	R	R	R	R
c) Pension : Employer	R	R	R	R	R
Disability	R	R	R	R	R
Old Age	R	R	R	R	R
d) Board / Rental	R	R	R	R	R
e) Child support	R	R	R	R	R
f) Informal / Casual work	R	R	R	R	R
g) Other	R	R	R	R	R
Total Gross Monthly Income					

Do you own or rent other property except the one above: YES / NO

Occupant Name:	Date of application:
Account Number:	Address:
Erf no:	

If YES, please specify details: _____

DATE

DATE

SIGNATURE OF VERIFIER (ITC CHECK)

SIGNATURE OF WARD COUNCILOR

ANNEXURE "B"3

GENERAL

COMMENTS OF THE VERIFIER (CONDITIONS, ETC.)

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ANNEXURE "B"4

Name (BLOCK LETTERS)

Name (BLOCK LETTERS)

OFFICE USE ONLY:

SECTION E - CHECKLIST:

	Please Tick
ID document	
Documentary proofs of total gross income of household namely account holder, spouse, and persons older than 18 years of age (including children) residing on the premises.	
List of all residents on premises. (Ages must be specified, and copies of Identity Documents attached).	
Proof of pension/grants.	
Proof of unemployment. Department of Manpower and/or unemployment insurance certificate original letter of religions leader to confirm unemployment and sworn affidavit by applicant.	
Birth certificates / ID documents of dependent children as well as a court order that confirms guardianship.	
If owner of motor vehicle, full particulars as well as means of finance.	
Latest municipal rates and services account.	
Copy of Pre-paid electricity slip	
Have you asked the applicant if he has or rents other properties	

Approved		Declined		Date:	
Reason if declined:					
Date of letter to applicant:					
Name of official:					



CITY OF MATLOSANA

**CUSTOMER CARE,
CREDIT CONTROL & DEBT
COLLECTION POLICY
2019/2020**

PREAMBLE

WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended requires a Council to adopt, maintain and implement a credit control and debt collection and customer care policy;

AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;

AND WHEREAS Municipalities are required in certain circumstances to comply with the National Credit Act No. 34 of 2005;

NOW THEREFORE the Municipal Council of the City of Matlosana adopts the policies as set out in this document.

TABLE OF CONTENTS

ARRANGEMENT OF SECTIONS PAGE

CHAPTER 1: DEFINITIONS	6-9
CHAPTER 2: GENERAL OBJECTIVES AND PRINCIPLES	9-10
CHAPTER 3: DUTIES AND FUNCTIONS	10-13
CHAPTER 4: PERFORMANCE EVALUATION AND REPORTING	13-15
CHAPTER 5: CUSTOMER CARE POLICY	15-2
CHAPTER 6: CREDIT CONTROL AND DEBT COLLECTION POLICY	30-55

TABLE OF CONTENTS

<u>ARRANGEMENT OF SECTIONS</u>	<u>PAGE</u>
CHAPTER 1	6-9
INTERPRETATION	6-9
1. Definitions	6-9
CHAPTER 2	11-10
GENERAL OBJECTIVES AND PRINCIPLES	11-10
2. General Objectives	11-10
3. Principles	11-10
CHAPTER 3	13-13
DUTIES AND FUNCTIONS	13
4. Duties and functions of Council	13-11
5. Duties and functions of Councillors	14-13
6. Duties and functions of Executive Mayor	14
7. Duties and functions of The Municipal Manager	14-13
8. Duties and functions of Communities, Ratepayers And Residents	15
CHAPTER 4	16-15
PERFORMANCE EVALUATION AND REPORTING	16
9. Objective	16
10. Income Collection Targets	16
11. Consumer Service Targets	16
12. Administrative Performance	17
13. Reporting	17-15
CHAPTER 5	18-29
CUSTOMER CARE POLICY	18-29
14. Objective	18
15. Communication	18-16
16. Metering	19
17. Accounts and Billing	20-17
18. Refunds	17
19. Payment Facilities and Methods	21
20. Incentives for Prompt Payment	22
21. Enquiries, Appeals and Service Complaints	23-20
22. Consumer Assistance Programmes	20-29
23. Consumer Categories	35

TABLE OF CONTENTS

<u>ARRANGEMENT OF SECTIONS</u>	<u>PAGE</u>
CHAPTER 6	30
CREDIT CONTROL AND DEBT COLLECTION POLICY	30
25. Background	30
26. Credit Control Objectives	30
27. Factors that affect the Implementation of a Full Credit Control System	30
28. Credit Control Principles	30-31
29. Necessity for Credit Control	31
30. Debt Collection Responsibility of Municipalities	31
31. Contents of Policy	32
32. Supervisory Authority	33
33. Implementing Authority	33
34. Roles and Responsibilities	33
35. Service Application and Agreements	34
36. Right of Access to Premises	36
37. Enforcement Mechanisms	36
38. Theft and Fraud	37
39. Consumer screening and securities	38
40. Persons and Business Who Tender to the Council	39
41. Debt Collection	40
42. Personal contact	40
43. Legal Process/Use of Attorneys/Use of Credit Bureau	40
44. Rates clearance	41
45. Cost of Collection	42
46. The Pre-Payment Meter System	42
47. Abandonment of Claims	43
48. Code of Conduct	43
49. Responsibility for Amounts Due	44
50. Queries, Verifications, Objections or Disputes	45
Dispute Form	49
Application Form	52

CHAPTER 1

INTERPRETATION

1. Definitions

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act” - The Local Government Act: Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

“Arrears” - means any amount which is due, owing and payable and which remains unpaid by the due date;

“Authorized Representative” - Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer” - the person appointed by Council to administer its finances regardless of the designation or title attached to the post; or the person delegated by the Chief Financial Officer

“CFO” - means a person employed by the Municipality in terms of section 56 of the Systems Act as the Chief Financial Officer of the Municipality, and includes any person to whom the Chief Financial Officer has delegated or sub-delegated a power, function or duty in accordance with the system of delegation developed by the municipal manager in terms of section 79 of the Municipal Finance Management Act and section 59 of the Systems Act;

“Consumer” - any occupier of any property to which the Council has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

"Council" -the municipal Council of the City of Matlosana;

"Credit control and debt collection" - means the functions relating to the collection of unpaid debt payable to the Council and the restructuring of such debt;

"Crèche" – a school for minor children up to the age of six years old and that are registered with the Department of Education

"Defaulter" - a consumer who owes money to the Council after the due date has expired;

"Delegated Person" – any person empowered or nominated by the Municipal Manager or Chief Financial Officer to effect the duties as set out in this policy

"Equipment" - a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

"Households" - persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

"Interest" - a charge levied, with the same legal priority as service charges, on arrear amounts calculated at a standard rate equal to an interest rate of 15% per annum.

"Council" - the institution that is responsible for the collection of funds and the provision of services to the consumers of;

"Municipal account" - shall include levies or charges in respect of the following services and taxes:

1. Electricity basic charges as approved by NERSA,
2. Electricity consumption as approved by NERSA,
3. Housing rentals and instalments,
4. Interest and/or surcharges,

5. Miscellaneous and sundry charges
6. Property Rates,
7. Refuse removal,
8. Sewerage services, Basic
9. Sewerage services, Additional
10. Water basic charges
11. Water consumption,

“Municipal Manager” - the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

“municipal services” - those services provided by the Council, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

“NERSA”- National Energy Regulator of South Africa

“Occupier” - any person, who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property,

“Official business language” - English

“Owner” –

1. The person in whose name the property is legally vested;
2. In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, usufructuary, servitude holder or any other legal representative;
3. In the case where the Council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;

4. In the case of a lease agreement in excess of 30 years was entered into, then the lessee;
5. Regarding:
 - 5.1. a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 of 1986), without limiting it to the developer or managing body to the communal property;
 - 5.2. a portion as defined in the Sectional Title Act, the person in whose name that portion is registered to in terms of a "sectional title, including the legally appointed representative of such person;
6. Any legal entity including but not limited to:
 - 6.1. a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust inter vivo, trust mortis causa, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984) and any voluntary organisation;
 - 6.2. any provincial or national government department, local authority;
 - 6.3. Any Council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
 - 6.4. Any embassy or other foreign entity.
7. owned by a Council and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and
8. owned by or under the control or management of a Council while held under a lease or any express or tacit extension thereof or under any other contract or under servitude or right analogous thereto, the person so holding the immovable property.

"Property" - any portion of land, of which the boundaries are determined, within the jurisdiction of the Council.

“School” – a school as defined in terms of the South Africans Schools Act, 84 of 1996 as amended, and includes all private, public and government schools registered with the Department of Education

"deposit" - means a monetary amount raised by the Municipality in relation to the consumption of a municipal service and mitigation of credit risk to the Municipality, irrespective of the existence of an agreement;

"disconnection" means a termination or restriction of a municipal service supplied to a meter; **"illegal connection"** means any connection or reconnection to a system through which municipal services are provided, where such connection or reconnection was not authorised or approved by the Municipality;

"Municipal Finance Management Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) as amended;

"rates" means a municipal rate on property envisaged in section 229(1)(a) of the Constitution levied by the Municipality in terms of the Rates Act;

"Rates Act" means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);

"sundry charge" means an amount charged to a person which is not directly linked to a property or premises, and which includes but is not limited to—

- (a) charges arising from damages to municipal property and equipment;
- (b) monies owed for municipal services other than rates, water, electricity and sanitation;
- (c) monies awarded to the Municipality through court orders and judgments;
- (d) fines; and
- (e) monies owed to the Municipality by municipal staff.

“VAT” means value added tax, which is an indirect tax on the consumption of goods and services in the economy as determined by the government and payable to the government

CHAPTER 2

GENERAL OBJECTIVES AND PRINCIPLES

2. General Objectives

2.1. The objectives of this policy are to: -

- 2.1.1. provide a framework where the Council can exercise its executive and legislative authority with regard to credit control and debt collection;
- 2.1.2. ensure that all monies due and payable to the Council are collected and used to deliver services in the best interests of the community, residents and consumers and in a financially sustainable manner;
- 2.1.3. provide a framework for customer care and indigent support;
- 2.1.4. describe credit control measures and sequence of events;
- 2.1.5. outline debt collection and credit control procedures and mechanisms; and
- 2.1.6. set realistic targets for credit control and debt collection;
- 2.1.7. comply with NCA (National credit Act) where applicable

2.2. All internal communications should be in the official business language.

3. Principles

- 3.1. The administrative integrity of the Council must be maintained at all costs. The democratically elected Councillors are responsible for policy making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- 3.2. All consumers must complete an official application form, formally requesting the Council to connect them to service supply lines. The most important rights and obligations of the consumer and Council must be included in the service application form.

- 3.3. A copy of the application form, conditions of services and extracts of the relevant Council's customer care, credit control and debt collection policy and by-laws must be handed to every consumer on request.
- 3.4. Billing is to be accurate, timeous, and understandable.
- 3.5. The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.6. The consumer is entitled to efficient, effective, and reasonable responses to enquiries and appeals, and should suffer no disadvantage during the processing of such requests.
- 3.7. Enforcement of payment must be prompt, consistent, and effective.
- 3.8. Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 3.9. Incentives and disincentives may be used in collection procedures.
- 3.10. The collection process must be cost-effective.
- 3.11. Results will be regularly and efficiently reported and monitored.
- 3.12. Application forms will be used to, *inter alia*, categorise consumers according to credit risk and to determine relevant levels of services and deposits required.
- 3.13. The Municipality may appropriate a customers' deposit on any account related to that customer due to unpaid services and thereafter the consumer is liable for the payment of a new deposit amounting to twice the monthly consumption on said account. A new service agreement must also be entered into with the Municipality
- 3.14. Targets for performance in both consumer service and debt collection will be set and
- 3.15. Where practically possible the debt collection and customer care policies would be handled independently of each other and the organisational structure will reflect the separate functions.
- 3.16. Consumers that meet Council's indigent criteria must be identified and supported but must take note that their indigent status will be listed for ITC purposes.

- 3.17. Any consumer who falls into arrears and fails to react to any of the measures in this policy, may be listed at an institution where consumer credit activities are monitored and recorded for credit purposes

CHAPTER 3

DUTIES AND FUNCTIONS

4. Duties and Functions of Council

- 4.1. To approve a budget consistent with Council's Integrated Development Plan.
- 4.2. To impose rates and service charges to finance the budget.
- 4.3. To facilitate sufficient funds to give access to basic services for the poor.
- 4.4. To provide for a bad debt provision, in line with the payment record of consumers as reflected in the financial statements of the Council.
- 4.5. To set an improvement target for debt collection, in line with acceptable accounting ratios and resources available to the Municipal Manager.
- 4.6. To approve a reporting framework for customer care, credit control and debt collection.
- 4.7. To consider and approve by-laws to give effect to the Council's policy.
- 4.8. To revise the budget should Council's targets for customer care, credit control and debt collection not be met.
- 4.9. To take disciplinary actions against Councillors, officials and agents who do not execute Council policies and by-laws, or act improperly in terms of such policies and by-laws.
- 4.10. To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.
- 4.11. To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy and by-law to the Executive Mayor and Municipal Manager.
- 4.12. To provide sufficient capacity in the Council's Financial Directorate for customer care, credit control and debt collection. Alternatively, to appoint a Service Provider, or debt collection agent.
- 4.13. To assist the Municipal Manager in the execution of his duties, if and when required.
- 4.14. To provide funds for the training of staff.

5. Duties and Functions of Councillors

- 5.1. Ward Councillors play a vital role in the current dispensation to Communicate the expectations of consumers in a specific ward to Council as well as the service departments or unit
- 5.2. The Ward Councillor is also directly responsible to ensure that Communication is forwarded to consumers in respect of this policy and to further ensure that consumers are paying for services received
- 5.3. The councillors will actively promote payment services rendered to the consumers in their respective wards and strive to create a culture of payment for services through ward committee members.
- 5.4. To adhere to the Code of Conduct for Councillors.
- 5.5. To give inputs regarding indigent applications.

6. Duties and Functions of Executive Mayor

- 6.1. To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.
- 6.2. To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- 6.3. To review and evaluate the policy and by-laws in order to improve the efficiency of Council's customer care, credit control and debt collection procedures, mechanisms, and processes.
- 6.4. To report to Council.

7. Duties and Functions of the Municipal Manager

- 7.1. To implement good customer care management systems.
- 7.2. To implement Council's customer care, credit control and debt collection policy.
- 7.3. To install and maintain appropriate accounting and credit control systems.
- 7.4. To bill consumers.
- 7.5. To demand payment on due dates.
- 7.6. To raise interest and collection fees for payment defaults.
- 7.7. To appropriate payments received.
- 7.8. To collect outstanding debt.

- 7.9. To provide different payment methods.
- 7.10. To determine customer care, credit control and debt collection measures.
- 7.11. To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 7.12. To instruct attorneys to proceed with legal processes.
- 7.13. To set performance targets for staff.
- 7.14. To appoint staff to execute Council's policy and by-laws in accordance with Council's appointment policy.
- 7.15. To delegate certain functions to the Chief Financial Officer or Heads of departments.
- 7.16. To determine control procedures.
- 7.17. To monitor contracts with Service Providers in connection with credit control and debt collection.
- 7.18. To report to the Executive Mayor.

8. Duties and Functions of Communities, Ratepayers and Residents

- 8.1. To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 8.2. To pay service fees, rates on property and other taxes, levies and duties imposed by the Council on or before the due date.
- 8.3. To obtain a duplicate account at the municipal help desk if an account is not delivered during the normal billing cycle.
- 8.4. To notify the Council when services are no longer required at a particular service delivery point and of address changes.
- 8.5. To safeguard and maintain service meters in a readable condition.
- 8.6. To observe the mechanisms and processes of the Council in exercising their rights.
- 8.7. To allow municipal officials reasonable access to their property to execute municipal functions.
- 8.8. To comply with the by-laws and other legislation of the Council.
- 8.9. To refrain from tampering with municipal services and property.
- 8.10. To maintain credit and pre-payment meters.

CHAPTER 4

PERFORMANCE EVALUATION AND REPORTING

9. Objective

The municipal Council in consultation with the municipal manager must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate performances and take corrective actions on an regular basis to enhance credit control and debt collection

10. Income Collection Targets

Council to create targets that include:

Reduction in present monthly increase in debt in line with performance agreements determined by Council from time to time as determined in Councils SDBIP.

11. Consumer Service Targets

The Consumer targets as identified are as follows:

- | | |
|---|---|
| 11.1. Response time to customer queries: | Initial response within 10 working Days |
| 11.2. Resolution of Queries/Disputes: | 45 working days to resolve queries / disputes and appeals. |
| 11.3. Date of first account delivery for new consumers: | By second billing cycle after date of application or occupation whichever is the latest. |
| 11.4. Reconnection time: | Within 24 hours after appropriate payment / arrangement has been made at our offices, or proof of payment made at other institutions faxed or emailed to our offices. |

- 11.5. Meter reading cycle:
- 11.5.1. 100% of meters being read on a monthly basis on a similar date with a maximum of 6 consecutive months estimated.
 - 11.5.2. Where a meter has a technical problem, Council may utilise previous periods as determined in Councils Tariff Policy to determine the average usage
- 11.6. Indigent application: Within the 2nd billing cycle response for approval or disapproval, as well as provision of subsidy.

12. Administrative Performance

Council to create targets that will include:

- 12.1. Cost efficiency of debt collection.
 - 12.1.1. Cost of collection not to exceed the capital debt amount;
 - 12.1.2. All reasonable steps to be taken to limit cost to Council or the customer;
 - 12.1.3. Cost of collection is to be recovered from the defaulting customers
- 12.2. Query and appeal periods according to this policy.

13. Reporting

- 13.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:
 - 13.1.1. Cash collection statistics, showing high-level debt recovery information (numbers of consumers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where

possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

13.1.2. Performance of all areas against targets agreed to in item 10 of this policy document.

13.2. If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

13.3. The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act as amended.

CHAPTER 5

CUSTOMER CARE POLICY

14. Objective

To focus on the client's need in a responsible and pro-active way, to enhance the payment of services and to create a positive and cooperative relationship between the persons responsible for the payment of services received, and the Council, and where applicable, any service provider.

15. Communication

15.1. The Council will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget to the public where possible

15.2. Council's Customer care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in English and will be made available by

general publication and on specific request, and will be available for perusal at Council's offices.

- 15.3. Council will endeavour to distribute a regular newsletter when possible, which will give prominence to customer care and debt issues.
- 15.4. Ward Councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.
- 15.5. The press will be encouraged to give prominence to Council's Customer care, Credit control, and Debt Collection policies, and will be invited to Council or Committee meetings where these are discussed.

16. Metering

- 16.1. The Council will endeavour, within practical and financial limits, to provide meters to every paying consumer for all services.
- 16.2. All meters will be read monthly, if possible. If the meter is not read monthly the Council will estimate the consumption in terms of Council's operational procedures;
- 16.3. Consumers are entitled to request verification of meter readings and accuracy within reason, but will be held liable for the cost thereof.
- 16.4. Consumers will be informed of meter replacements.
- 16.5. Basis of Estimation of Meter Readings
 - 16.5.1. If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Council or its authorised agent, the consumer is charged for an estimated consumption on the account following the reading of the metered consumption, which must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.
 - 16.5.2. The estimates must be based on the 3 to 6 months preceding the last date on which the meter was found to be registering correctly, or on the 3 to 6 months following the date from which the meter was again registering correctly
- 16.6. In case where council does not have access to the meters that are inbound and an average has been taken by Council, it is the consumer's responsibility

to submit a clear photo of the readings with the date imprinted thereon on which the photo was taken to Council should they dispute the averages levied

17. Accounts and Billing

- 17.1. Consumers on the billing system will receive an understandable and accurate bill from the Council, which bill will consolidate all service costs for that property.
- 17.2. Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 17.3. Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Council or its authorised agent.
- 17.4. It is the consumer's responsibility to ensure that postal address and other contact details are correct.
- 17.5. It is the consumer's responsibility to make enquiries and ensure timeous payments in the event of accounts not received.
- 17.6. Settlement or due dates will be as indicated on the statement.
- 17.7. Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.
- 17.8. Where any payment made to the Council or its authorised representative by negotiable instrument is later dishonoured by a bank, the Council, or its authorised agent:
 - 17.8.1. May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the consumer.
 - 17.8.2. Shall regard such an event as a default on payment, disconnect/restrict services, and levy the relevant costs thereof against the consumers account.
 - 17.8.3. May insist on cash payments for all future accounts
- 17.9. The Council or its authorised agent must, if administratively possible, issue a duplicate account or any acceptable alternative to a consumer on request and the applicable fee in the tariff structure be paid by the consumer to Council
- 17.10. Accounts will be processed and posted by the last day of each month.

17.11. Consumers may request electronic accounts per email at no cost to the consumer, but should the consumer request an electronic account plus a hard copy of the account be then the applicable tariff in the tariff structure will be levied

18. REFUNDS

- 18.1. Any account holder may apply in the prescribed manner for a refund on any credit balance on their account.
- 18.2. The refund application will be considered and verified by the municipality in terms of its internal procedures.
- 18.3. The municipality reserves the right to periodically determine a bottom threshold for when it is entitled to decline to issue a refund where the cost and administrative burden of issuing the refund is out of balance with the amount to be refunded. The bottom threshold refund amount will be R500.00.
- 18.4. The municipality may at its discretion use any payment method when paying a refund to an account holder.
- 18.5. Any arrears on any account of the account holder requesting or entitled to a refund may be set off against any credit balance due to that account holder on any of his accounts before the refund is effected.
- 18.6. There is an obligation on all account holders to ensure that their contact details on the municipality's system are correct and updated at all times.
- 18.7. The municipality shall be entitled to write back or appropriate any unclaimed money arising from a credit balance of an account holder account, if such amount is not claimed by the account holder within a year from the date when it became due to him or her.

19. Payment Facilities and Methods

- 19.1. The Council will operate and maintain suitable payment facilities, which will be accessible to all users.
- 19.2. Direct payments or electronic payments can be made into the bank account of the City of Matlosana, ABSA Bank, OR Tambo Street,

Account no. 01000100176, Branch code 632005. The consumer must state the account number as reference on the deposit slip. It is important that the deposit slip, together with a breakdown of the amount be faxed to the Council at (018) 464 2318 without delay. Four (4) official business days must be allowed for processing.

- 19.3. The Council will, at its discretion, allocate a payment between service debts and a consumer who has overdue debt, may not specify that the payment be for a specific portion of the account.
- 19.4. The Council may in terms of section 103 of the Systems Act, with the consent of a consumer, approach an employer to secure a debit or stop order arrangement.
- 19.5. The consumer will acknowledge, in the consumer agreements that the use of consumer agents in the transmission of payments to the Council is at the risk of the consumer – also for the transfer time of the payment.
- 19.6. Any direct deposits without the relevant details or reference may be refused by Council via the bank or be confiscated by Council if not claimed within a year
- 19.7. Only bank guaranteed cheques will be accepted, or otherwise decided by the Chief Financial Officer or his/her delegate.

20. Incentives for Prompt Payment

- 20.1. During the budget process Council may, to encourage prompt payment and/or to reward regular payers, consider from time to time incentives for the prompt payment of accounts or payment by debit or stop order.
 - 20.1.1. where a consumer is prepared to pay off the capital amount on an outstanding account in one payment, then Council will write back all interest charged, warning fees, disconnection fees, and legal costs.
 - 20.1.2. Interest and other debt collection fees may also be reversed under the following circumstances:
 - 20.1.2.1. if the Municipality has made an administrative error on the account;
 - 20.1.2.2. where an owner takes over the debts of the tenant/s and
 - 20.1.2.3. where the Chief Financial Officer or delegated person approves such reversal due to the fact that the only

amount owing on the account comprises of interest or debt collection fees or sundry fees

20.1.3. That 10% discount of their monthly service account, excluding Property Rates be awarded to the undermentioned, who timeously pay their account or arrears in full where applicable.

20.1.3.1. Schools as per the definition of the Schools Act 84 of 1996 as amended, and registered as such with the Department of Education. Principals dwellings and Hostels on the school's property are excluded

20.1.3.2. Crèches as per definition in this policy, registered with the Department of Education

20.1.3.3. Registered Public Benefit Organizations, e.g. Triest Daphne Lee, Adonai, Huis Servaas etc.

20.1.4. An institution, who allows its outstanding debt to escalate to 60 days, will not be granted this incentive.

20.1.5. The cost associated with the other schemes, if introduced, will be reflected in annual budgets as additional expenditure, besides the point above

21. Enquiries, Appeals and Service Complaints

20.1. Within its administration and financial ability, the Council will establish:

20.1.1. A central complaints/feedback office;

20.1.2. A centralized complaints database to enhance co-ordination of complaints, their speedy resolution, and effective communication with consumers;

20.1.3. Appropriate training for officials dealing with the public to enhance communications and service delivery; and

20.1.4. A communication mechanism to give Council feedback on the application of the policies on customer care and management, credit control and debt collection and other issues of concern.

20.1.5. If a consumer is convinced that his or her account is inaccurate, he or she can lodge a query with the Council for investigation of this account, and where necessary the relevant adjustments will be effected.

- 21.2. In the interim, the debtor must pay the average of the last three months' accounts where such history of the account is available. Where no such history is available, the debtor must pay without prejudice of rights an estimate provided by the Council before payment due date until the matter is resolved.
- 21.3. The relevant department will investigate and inform the debtor within one month of the outcome of the investigation.
- 21.4. Failure to make such agreed interim payment or payments will result in the consumer forming part of the normal credit control procedures.
- 21.5. A consumer may appeal against the finding of the Council or its authorized agent in terms of clause 20(2).
- 21.6. An appeal in terms of clause 20(6) must be made and lodged with the Council within 21 (twenty-one) days after the consumer became aware of the finding and must:
 - 21.7. Set out the reasons for the appeal.
 - 21.8. Pay any amount determined for the testing of a measuring device, if applicable.

22. Consumer Assistance Programmes

22.1. Water leakages

- 22.1.1. The consumer has the responsibility to control and monitor his/her water consumption to the property.
- 22.1.2. In cases of undetected water leakages on private property, the consumer pay for the normal water consumption as calculated by using the average consumption for three months prior to the leak, at the applicable sliding scale and that the "over-consumption" or "leak" be paid at a fixed charge based on the second category of the sliding scale of the water tariffs, for the months (maximum three) in question, or at the tariff as calculated by the CFO at the time, subject to the provision of proof by the resident regarding:
 - 22.1.2.1. The date on which the leak was first detected.
 - 22.1.2.2. Steps taken by the resident to stop the leak.

22.1.2.3. The leak has actually stopped – investigation and confirmation by Council's official.

22.1.3. Following proof of the above, it should fall within the parameters of.

22.1.3.1. the leak being repaired within five working days of detection

22.1.3.2. the leak did not last for longer than three (3) months from start to end.

22.2. Rate Rebates

Subject to certain criteria, the municipal Council may grant rate rebates annually to certain categories of ratepayers in accordance to the Council's rates policy and by-law.

22.3. Arrangements and Extensions of Time for Payment

22.3.1. Arrangements

If a customer cannot pay his/her account with the Council, then the Council may enter into an extended term of payment with the customer according to the applicable category of the customer. Consumers who default on two payments in respect of the arrangement made, will be denied the privilege of continuing with the arrangement and the full amount becomes payable. The customer must:

22.3.1.1. Sign an acknowledgement of debt;

22.3.1.2. Sign a consent to judgement;

22.3.1.3. Provide a garnishee order/emolument order/stop order (if he or she is employed);

22.3.1.4. Acknowledge that interest will be charged at the prescribed rate should the arrangement be dishonoured;

22.3.1.5. Pay the current portion and the proposed arrangement amount of the account;

22.3.1.6. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible, and that disconnection /

restriction of water and electricity will follow immediately, as will legal proceedings.

22.3.1.7. Only one arrangement may be concluded between the Council and the consumer debtor.

22.3.1.8. Acknowledge liability of all costs incurred.

22.3.1.9. Prove levels of income and make reasonable payment of arrears based on the ability to pay.

22.3.1.10. Interest on arrears in respect of all services and rates will be suspended whilst the debtor adheres to the conditions of the arrangement.

22.3.1.11. Consumers may make arrangements on behalf of the owner, but must then accept full liability for the outstanding amount of the owner and should provide Council with a letter, authorising the arrangement, from the owner or letting agency

22.3.1.12. Acknowledge and accept the following conditions with regards to debtors be applicable:

22.4. CATEGORIES OF DEBTORS

22.4.1. Interest on arrears in respect of all services and rates on arrangements will be suspended whilst the debtor adheres to the conditions of the arrangement, which must be paid promptly on the due date on a monthly basis. No new arrangements are allowed unless any previous arrangements have been paid in full or unless for special reasons claimed. Should any arrangement default then the arrangement will be cancelled and the full outstanding amount will be payable.

22.4.2. Debts and arrangements to repay debts shall be treated holistically, but different repayment periods may be determined for different types of service, debtors, or areas within the general rule that repayment periods should be in sympathy with the instalments that the debtor can afford.

22.4.3. Consumers should make arrangements for arrears payment in such a manner that he/she will be able to honour these arrangements for

outstanding debt plus the monthly current amount which should be paid in full on the due date. The following guidelines are stipulated.

- 22.4.4. Any deviations on this policy may only made by the Director Finance or his designated officials

22.5. SOCIAL ASSESSMENT

Debts and arrangements to repay debts shall be treated holistically, but different repayment periods may be determined for different types of service, debtors or areas within the general rule that repayment periods should be in sympathy with the instalments that the debtor can afford in order to settle the arrears over a reasonable period in terms of the Customer Care, Credit Control and Debt Collection Policy. Any deviations on this policy may only made by the Chief Financial Officer or his designated officials.

22.6. Household and Business Customers Arrangements

Household Arrangements

22.6.1. One of the key objectives of debt collection is to encourage customers to start paying their monthly accounts in full. In addition, it is also necessary to ensure that arrear debt is addressed. The current average balances on customer accounts necessitate that innovative ideas be implemented to encourage customers to pay off their arrears. At the same time, it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

22.6.2. The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis. At the date of the arrangement a minimum of 30% of the capital arrear debt must be paid immediately for residential customers". The Chief Financial Officer or his delegated person/s may approve the minimum amount less than 30%.

22.6.3. A customer must enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions: -

22.6.3.1. The outstanding balance, costs and any interest thereon

shall be paid in regular and consecutive monthly instalments;

22.6.3.2. The current monthly amount must be paid in full; and

22.6.3.3. The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

22.6.3.4. The agreement will be compliant with the requirements of the National Credit Act where applicable.

22.6.4. In order to determine monthly instalments a comprehensive statement of assets and liabilities of the customer must be compiled by a treasury official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the customer, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

22.6.5. During the time of the debt collection process, but before the debt is handed over to the attorneys a customer may enter into an arrangement to payoff arrear debt,

22.6.6. No arrangements will be entertained by the Municipality on debt that has been handed over for legal or debt collection. The Chief Financial Officer or delegated person has the authority to approve an arrangement dependant on the circumstances.

22.6.7. The Municipality will entertain only one arrangement with a customer to pay off arrear debt. Failure to abide by the arrangement will result in that: -

22.6.7.1. the arrangement shall be terminated with immediate effect;
and

22.6.7.2. the outstanding balance shall immediately become due and payable;

22.6.8. The customer by signing the arrangement agreement to pay off arrear debt acknowledges the following: -

22.6.8.1. The debt is owed to the Municipality.

22.6.8.2. That on default of the arrangement agreement, interest on arrears will be charged on the amount due, electricity supply will be disconnected to the property of the customer or the customer will be blocked from the purchase of electricity or

water on the prepayment system, and legal proceedings may be instituted to collect the debt.

22.6.8.3. Any costs, which include collection costs, charges, disbursements and legal costs relating to any of the debt collection methods applied to collect the debt may only be recovered from the defaulting customer within the provisions of the NCA.

22.7. Business Arrangements

22.7.1. At the date of the arrangement a minimum of 50% of the capital arrear debt must be paid immediately and any variance on the minimum shall only be approved by the Chief Financial Officer or his delegate

22.7.2. The balance of the debt which includes the capital amount and interest must be paid over a 6 to 12-month period provided payments are made monthly by the due date. Only the Chief Financial Officer or delegated person may approve any extension on this arrangement.

22.7.3. The total monthly instalment must include the current monthly charges plus the amount to pay off arrear debt.

22.7.4. No arrangements will be considered by the Municipality on a debt that has been handed over for legal collection (litigation).

22.7.5. Failure to maintain the arrangement will result in interest being levied and full debt collection being implemented, with no possibility of reprieve.

22.7.6. Any arrangement outside of the foregoing must be approved by the Chief Financial Officer or appointed delegate

22.8. Schools / Hospitals / Government

No school, hospital, or Government Department may arrange to pay off his or her outstanding debt or if otherwise approved only by the Chief Financial Officer or Municipal Manager.

22.9. Sport and Social Clubs

Sport & Social Clubs 50% of arrear amount plus current account as down payment. Balance over maximum of 3 months.

22.10. Churches and Religious Institutions

The arrangement amount plus the current amount to be paid promptly in full on a monthly basis.

Churches & Religious 10% of arrear amount plus current account as down
Institutions payment. Balance over maximum of 6 months.

22.11. ACCOUNT HOLDERS UNDER ADMINISTRATION

Where a person has been placed under administration, the following procedures will be followed:

- 22.11.1. The debt as at the date of the administration court order, will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- 22.11.2. The administrator is to open a new account on behalf of the debtor, with a new deposit No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer to section 74S of the Magistrates Courts Act 32 of 1944 as amended).
- 22.11.3. The administrator may not give the person who has been placed under administration permission to open an account
- 22.11.4. Until this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter at own cost, should one not already be in place. The Council will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.
- 22.11.5. Should there be any default on the current account the supply of services is to be limited or terminated and the administrator handed over for the collection of this debt.

22.12. INDIGENTS

22.12.1. Debtors, who qualify and become registered as indigent, will have their arrears written off as per Councils Indigent Policy.

Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of a change in circumstances within the household:

22.12.1.1. The indigent support will be stopped.

22.12.1.2. The recipient may be liable for the repayment of all indigent support received for the period involved, which amount will be debited against the consumers account.

22.12.1.3. Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.

22.12.1.4. Criminal charges may be instituted against the account holder for supplying false information.

22.12.2. Arrangements

Should an Indigent person fall into arrears and credit control actions have been taken against the consumer, the down payment and instalment will be calculated according to the person's income. The calculations will be done at 5% of the monthly income as a down payment and instalment. Indigents who are not employed must pay a minimum down payment of R50 and the instalment calculated over the r

22.13. COUNCILLORS AND MUNICIPAL EMPLOYEES

22.13.1. In accordance with section 10 of schedule 1, 12A and schedule 2.10 of the Municipal Systems Act 32 of 2000 as amended, a staff member and councillor of a municipality may not be in arrears to the municipality for rates and services charges and the municipality may deduct any arrear amounts from a staff members' salary after this period, which will not exceed more than 25% of the person's gross salary

22.13.2. All existing staff and Councillors who have not entered into an agreement to pay arrears must do so within thirty days of the approval of this policy by Council.

- 22.13.3. All staff members joining the Municipality must within thirty days sign an agreement to pay arrears which must be prearranged by the Human Resources Section
- 22.13.4. All agreements with Councillors will be calculated according to point 22.6. above, but must not exceed the expiry date of the term of office of the councillor
- 22.13.5. Salary deductions in terms of section 10 of schedule 1, 12 A and schedule 2.10 of the Municipal Systems Act 32 of 2000 as amended, will be implemented on all staff members and councillors with arrears on their account irrespective of whether they enter into an arrangement or not

22.14. PROPERTY MANAGEMENT LEASES

- 22.14.1. The procedure for the recovery of arrears on leases is that the Council would pursue the debt, in accordance with the terms of the specific lease contract, and any policy related thereto, as determined by the Council from time to time, until all avenues are exhausted.
- 22.14.2. The Council may attach the rental of tenants or any other payments due to owners who are in arrears with their Municipal accounts.

22.15. ACCOUNTS HANDED OVER TO ATTORNEYS / DEBT COLLECTORS

- 22.15.1. Consumers that are currently handed over to an attorney/debt collector are not allowed to accumulate any new arrears, nor ask for any extension or arrangement on his current account. That all normal accounts of which a portion are handed over for the recovery by an attorney, may be blocked on the system for further extension/arrangements.
- 22.15.2. Only upon motivation or under special conditions, may the Chief Financial Officer or delegated official, deviate in this regard

22.16. NEW TENANTS - OWNER ARREARS

22.16.1. Where it is found that the Owner is in arrears and a new tenant is to occupy the premises, the new tenant may, with the owner's approval, agree in writing as per agreement, to pay the services and arrears account. At least 50% of the monthly rental of the tenant is to be paid to Council until the arrears has been paid up.

22.16.2. If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of the Municipal Property Rates Act, the Council may recover the amount in whole or any part thereof from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier: Provided that such tenant or occupier may be entitled to deduct such amount recovered from the rent payable to the owner.

22.17. EXTENSION FOR PAYMENTS

A Customer may apply for extension of time for payment of the current account on the Municipal Account by completing the applicable form.

22.17.1. Any consumer shall be entitled to apply for deferment of payment of 30% of the current account until the 15th of the following month: provided that no consumer shall be granted deferment of payment more than three times a year.

22.17.2. Any consumer who is unable to pay his/her account by due date, may apply before the due date for an extension until the 30th of the month in which the amount is due and payable. In such an event, the electricity supply shall only be discontinued in the event of the consumer not settling their account by the 30th, provided that this indulgence does not occur more than three times a year.

22.17.3. That no extension be granted to any consumer for his current account, who has been placed under administration or debt review, or any consumer who has already been handed over for debt collection in respect of arrears.

22.17.4. That pre-paid electricity may not be supplied to consumers who do not pay their current accounts and/or do not make arrangements for the payments of their arrears and the payment thereof.

22.17.5. An extension for payment granted in terms of this section, is subject to the Customer entering into the applicable Acknowledgment of Debt Agreement.

23. Disconnection/ Reconnection of services

23.1. Notices will be delivered to consumers who are in arrears at least 14 days before being disconnected and a late payment fee levied irrespective if they were disconnected or not.

23.2. Proof of payment must be brought to Council offices if paid at other institutions for reconnections.

23.3. Proof of payment after hours must be brought to the Finance offices if paid at other institutions the following day for reconnections.

23.4. Consumers who do not react to the notices may be disconnected between Monday and Friday and a disconnection fee will be levied. No disconnection will be made after 12h00 on a Friday, a day before a public holiday, or on weekends

23.5. Where a cable has been removed, the consumer must pay all outstanding fees and a new application for services will have to be completed at council offices and the relevant deposit paid

23.6. Consumers paying after hours will only be reconnected until 19h00 at a special tariff as determined by Council.

23.7. Consumers may not be disconnected after 16h00 on weekdays or on weekends or Public holidays

23.8. No disconnected consumer will be reconnected on weekends and public holidays, unless under special circumstances, at a special tariff as determined by Council.

24 Indigent Relief

A basic level relief will be provided to qualifying households in terms of the provisions of the Indigent Support Policy.

25. Subsidy Categories

- 25.1. Subject to the extent of the equitable share contribution received and affordability levels, Council may provide free of charge to Indigent household consumers, the basic level of services as determined in the Indigent Policy
- 25.2. Further grants may be provided as determined from time to time in Council's policies and by-laws.

26. Consumer Categories

Consumers will be categorised according to specific classifications based on inter alia the type of entity, applicable tariffs and risk levels. Processes for credit control, debt collection, and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

CHAPTER 6

CREDIT CONTROL AND DEBT COLLECTION POLICY

27. Background

This Customer Care, Credit Control & Debt Collection Policy is applicable to the City of Matlosana, which includes the entities of Klerksdorp, Jouberton, Alabama, Manzilpark, Sakhrol, Orkney, Kanana, Stilfontein, Khuma, Hartbeesfontein, and Tigane.

28. Credit Control Objectives

Credit control relates to the collection of cash from ratepayers, customers, and consumers of the various municipal services. Credit control under this definition would start once an account remains unpaid after a specified due date. In terms of modern practices and approaches, credit control is more aptly defined as an avenue of last resort within the ambit of customer management. The customer management approach focuses on the clients' needs in a responsive and responsible manner, the objective being to encourage payment to prevent the need for enforcement.

29. Factors that Might Affect the Implementation of a Full Credit Control System

- 29.1. Lack of technical capacity to implement credit control within council
- 29.2. Lack of administrative capacity to implement credit control within council.
- 29.3. Lack of political support and commitment from Councillors.
- 29.4. Poor and inefficient accounting systems adopted by some municipalities resulting in inaccurate financial reports and incorrect statements.
- 29.5. Lack of financial resources throughout the payment collection system.
- 29.6. Insufficient customer pay points established by various councils.
- 29.7. Non-existence of a policy on indigents.
- 29.8. Incorrect meter readings.
- 29.9. Lack of a proper customer care section to resolve queries

30. Credit Control Principles

Credit control is the last step in ensuring payment for services rendered. Considering the level of unemployment and poverty in South Africa, the enforcement of payment for services will be ineffective if it is not based on acceptable principles and if the ability to pay is not separated from indigence. The following principles are applicable:

- 30.1. The Municipal Manager, who is entrusted with the determination and execution of credit control measures, must report to the Executive Mayor.
- 30.2. Enforcement and policymaking must be independent to ensure accountability.
- 30.3. Credit control measures must be understandable, uniform, fair, and consistently applied.
- 30.4. Credit control must be effective, efficient, and economical.
- 30.5. The measures must be sustainable in the long-term.
- 30.6. A proper indigent policy must be in place.

31. Necessity for Credit Control

- 31.1. The operations required in order to effect service delivery to the community are controlled and funded by the Council's operating budget, which in turn is very dependent on the collection of all the budgeted income. Any shortfall between actual income and budgeted income will mean that expenditure will have to be reduced. This could result in the curtailment of services or lowering of standards.
- 31.2. A further point is that the infrastructure required for the provision of services is provided by capital expenditure, which is often provided by external financing (loans). Loans must be repaid together with interest for which provision must be made in the operating budget. In addition to these capital charges, maintenance and operating costs of the newly acquired assets must be provided for in the operating budget. To meet all these costs, it is imperative that all budgeted income be collected.
- 31.3. Raising external finance (loans) could become a problem if lenders feel that there is a risk that the municipalities may default or delay repayments. A factor that will therefore be closely monitored is the level of non-payment for municipal services.
- 31.4. In order to maintain Councils creditworthiness and to counter the effects of non-payment, municipalities may build up necessary reserves or dedicate income sources or assets as security for capital finance. The result is either slower or no service delivery or excessive reserving all of which are detrimental to ratepayers and consumers.

32. Debt Collection Responsibility of Council

- 32.1. In terms of Section 96 of the Municipal Systems Act, No 32 of 2000, a Council:-
 - 32.1.1. must collect all money that is due and payable to it,
 - 32.1.2. For this purpose, must adopt, maintain, and implement a credit control and debt collection policy that is consistent with its rates and tariff policies and complies with the provisions of this Act.
- 32.2. Council recognizes the National Credit Act of 2005 as amended but cognizance must be taken of the following:

- 32.3. That arrears rates and interest does not fall under the National Credit Act of 2005 as amended.
- 32.4. That according to Section 4 of the National Credit Act of 2005, the Act applies to every credit agreement within the Republic except as stated in Section 4(6)(b)(ii)
- 32.5. Council may however take such applications into consideration and will consider such applications according to this policy, but will not be obliged to accept them as a whole.

33. Contents of Policy

In terms of Section 97 (1) of the Municipal Systems Act, No 32 of 2000, as amended, a credit control and debt collection policy must provide for:

- 33.1. credit control procedures and mechanisms;
- 33.2. debt collection procedures and mechanisms;
- 33.3. provide for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents;
- 33.4. realistic targets consistent with: -
 - 33.4.1. general recognized accounting practices and collection ratios;
 - and
 - 33.4.2. the estimates of income set in the budget less an acceptable provision for bad debts;
- 33.5. interest on arrears, where appropriate;
- 33.6. extensions of time for payment of accounts;
- 33.7. termination of services or the restriction of the provision of services when Payments are in arrears;
- 33.8. matters relating to unauthorized consumption of services, theft and damages;
- and
- 33.9. any other matters that may be prescribed by regulation in terms of section 104 of the Local Government: Municipal Systems Act. 32 of 2000 as amended

34. Supervisory Authority

In terms of section 99 of the Municipal Systems Act, No 32 of 2000, as amended, a Council's or executive mayor as the supervisory authority must: -

34.1. Oversee and monitor: -

34.1.1. the implementation and enforcement of the Council's credit control and debt collection policy and any by-laws enacted in terms of section 98 of the Municipal Systems Act, No 32 of 2000, as amended; and

34.1.2. the performance of the municipal manager in implementing the policy and any by-laws;

34.2. When necessary, evaluate or review the policy and any by-laws, or the implementation of the policy and any such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and

34.3. At such intervals as may be determined by the Council report to a meeting of the Council

35. Implementing Authority

In terms of Section 100 of the Municipal System Act, No 32 of 2000, as amended, the municipal manager or service provider must: -

35.1. Implement and enforce the Council's Customers Care, Credit control and Debt Collection policy and any by-laws enacted in terms of Section 98 of the Municipal Systems Act, No 32 of 2000, as amended;

35.2. in accordance with the Customer Care, Credit Control and Debt Collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Council; and

35.3. At such intervals as may be determined by the Council report the prescribed particulars to a meeting of the supervisory authority referred to in Section 99.

36. Roles and Responsibilities

36.1. In terms of Section 99(a) of the Municipal Systems Act, No 32 of 2000, as amended, the Council's Executive Mayor must oversee and monitor

the implementation and enforcement of the credit control and debt collection policy.

- 36.2. In terms of Section 99(b) of the Municipal Systems Act, No 32 of 2000, as amended, the Council's Executive Mayor must when necessary, evaluate or review the policy or the implementation of the policy in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.
- 36.3. In terms of Section 100(a), the Municipal Manager must implement and enforce the Council's Customer Care, Credit Control and Debt Collection policy.
- 36.4. In terms of Section 100 (c) of the Municipal Systems Act, as amended, No 32 of 2000, the Municipal Manager must at such intervals as may be determined by the Council report the prescribed particulars to a meeting of the executive committee.
- 36.5. The communication of the credit control and debt collection policy to the community is the joint responsibility of the Councillors, Municipal Manager and municipal officials.
- 36.6. In terms of Section 11 (c) of Schedule 1 of the Municipal Systems Act, No 32 of 2000, a Councillor may not obstruct or attempt to obstruct the Municipal Manager or any employee of the Council to implement and enforce the Council's credit control and debt collection policy.

37. Service Application and Agreements

- 37.1. All consumers of services will be required to sign an agreement governing the supply and cost of municipal services. The agreement for municipal services is attached as annexure "A".
- 37.2. All consumers shall pay a deposit as determined by Council, with the approval of the annual budget, which may be increased to twice the average three monthly consumption, by the Municipal Manager, or his designated official in the event of non-payment.
 - 37.2.1. The copy of registration document from the deeds search will suffice as an Agreement for Municipal Services application form, whereby a deposit will be debited automatically, without the completion of the application form.

- 37.2.2. Where a property owner has paid a deposit on an account, which does not have metered electricity of water, their account, will be credited by Council and will not be refunded if it is an active account.
- 37.2.3. Where a property owner has an unpaid deposit on their current account, the deposit will be credited against any amount owing
- 37.3. Prior to signing these agreements, consumers will be entitled to receive the policy document of Council on request if requested.
- 37.4. On the signing of the agreement, consumers will receive a copy of the agreement for their records.
- 37.5. Consumers are responsible for costs of collection and interest in the event of delayed and/or non-payment.
- 37.6. Existing consumers of services may be required to sign new agreements as determined by the Municipal Manager from time to time.
- 37.7. If a consumer refuses to sign a new service agreement or pay the deposit as stipulated by Council, the Council may discontinue services until the necessary agreement has been signed or deposit been paid.
- 37.8. The consumer will also be held accountable for services already provided, costs incurred and any other costs associated with the collection of service fees and cost incurred.
- 37.9. All applicants for municipal services may be checked for creditworthiness including checking information from banks, credit bureaux, other local authorities, trade creditors, and employers and will be listed at an ITC company due to non-payment of their services
- 37.10. The municipality may –
- 37.10.1. Consolidate any separate accounts of any properties of persons liable for payments to the municipality;
 - 37.10.2. Credit a payment by such a person against any account of that person;
- and
- 37.10.3. Implement any of the debt collection and credit control measures provided for in this Chapter in relation to any arrears on any of the accounts of such a person and may terminate the services of such account.

Subsection (37.10.1.) does not apply where there is a dispute between the municipality and a person referred to in that subsection concerning any specific amount claimed by the municipality from that person. Therefore, the liability for payments not disputed is not suspended.

38. DISSOLVING OF TENANT ACCOUNTS

38.1. The Council will only register accounts for accounts holders who are the owners of a property. No accounts will be registered for tenant account holders and the onus will be on the owner/agent to ensure that the monthly service and rates accounts are paid.

38.2. All existing tenant accounts will be phased out in terms of a phasing out plan as follows:

38.2.1. All current existing tenant accounts will be kept as is, until the contract is terminated by the tenant/owner/agent or may be consolidated as over an extended period.

38.2.2. Should a tenant fall into arrears with more than 90 days, then the account may be terminated and all services will be charged against the owners account.

38.2.3. Council will only transfer service amounts and will write back all interest charged, warning fees, disconnection fees, and legal costs, should Council be unable to link the tenant at an address where they are the owner within the Matlosana jurisdiction to which the debt can be consolidated

38.2.4. Should an arrears closed tenant account have debt which exceeds 1,095 days (3 years) and cannot be linked to an account on Councils financial system, then the debt may be written off with approval of the Council only.

38.3. The Council may at its discretion upon application from the relevant authority/owner, allow for the opening of tenant accounts in relation to the following circumstances, but the owner will still be held liable for the outstanding amount owing for services owed by the tenant:

38.3.1. Tenants who are bona fide registered indigents in terms of the Indigent Relief Policy

38.3.2. Business tenants accounts

38.3.3. Government tenant accounts

38.3.4. Flats

38.3.5. Any other special circumstances

39. Right of Access to Premises

39.1. The owner and or occupier of property is to allow an authorised Representative of the Council access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.

39.2. The owner is responsible for all the cost associated with the relocation of a meter if satisfactory access is not possible and must be undertaken by the owner at own cost.

39.3. If a person should fail to comply with the provisions set out in clause 8.5 & 39.2, the Council or its authorised representative may by written notice require such person to restore access, or relocate the meter to the boundary at his/her own expense within a specified period.

39.4. Should the consumer not comply with the written request within the specified period, then Council will do the relocation of the meters without prior notice and recover the cost from such person by means of debiting the consumers account, which must be paid immediately

40. Enforcement Mechanisms

40.1. Interest can be raised as a charge on all accounts not paid by the due date.

40.2. Consumers who are in arrears with their municipal account and who have not arranged with Council will have their supply of electricity and water, and other municipal services, suspended, restricted or disconnected.

40.3. Services in respect of household consumers must be paid on/or before the 20th of a month. The consumer may be notified by means of an SMS or notice after the 20th of a month and if the account has not been paid, the electricity services may be suspended and the water services may be restricted after 14 days' notice without further notice.

40.4. Before the supply of services is restored the outstanding municipal services account must be paid in full or an arrangement be made with the Implementing

Authority to settle the account in full. Only one (1) arrangement will be concluded between the City Council and the consumer in the settling of the arrear debt. Additional arrangements may only be made once the preceding arrangement has been paid in full

- 40.5. An Acknowledgement of Debt and consent to judgement must be completed with the arrangement that was concluded with the City Council for the paying off of arrear debts. Copies will be handed to the client on request.
- 40.6. By mutual agreement between the City Council and the consumer, debit orders can be completed for the monthly payment on all amounts that are owed to the City Council. If the arrangement (first arrangement) is dishonoured, the full balance will immediately become payable. The City Council will not conclude any further arrangements with the consumer concerned on the account.
- 40.7. No interest will be charged on an arrangement, if the consumer honours the arrangement and the arrears are repaid in full within the agreed period. Should the arrangement instalment amounts fall into arrears, then interest at a rate of 15%, will be levied on the instalments.
- 40.8. Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the service will be reconnected as soon as conveniently possible.
- 40.9. The cost of the warning late payment fee, restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council and will be payable by the consumer.
- 40.10. The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council according to section 37.2. of this policy

41. Theft and Fraud

- 41.1. Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, or supplying electricity to a nearby property from their premises, as well as theft of and damage to Council property, will be prosecuted.

- 41.2. The Municipal Manager will immediately terminate the supply of services to a consumer should such conduct as outlined above be detected and a fine issued according to the Electrical and Water Departments tariffs. The fine must be paid once off or an arrangement made to pay off the fine within 6 months, with the understanding that the 1st payment of the arrangement of the fine must be paid immediately together with the current account. This arrangement is only applicable for households or flats.
- 41.3. The total bill owing, including interest and collection fees, assessment of unauthorised consumption, discontinuation and reconnection fees, and increased deposits as determined by the Municipal Manager, if applicable, will be due and payable before any reconnection can be sanctioned or if as mentioned in point 35.2. above
- 41.4. The Municipal Manager will maintain monitoring systems in order to identify consumers who are undertaking such illegal actions.
- 41.5. Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- 41.6. Council will reward "whistle blowers" who report the tampering of meters and reconnection of disconnected / restricted meters as follows:
- 41.6.1. A reward of R300 in respect of electricity installations will be paid where the culprit has been issued with a fine by the Electrical Department
- 41.6.2. A reward of R300 in respect of water installations will be paid where the culprit has been issued with a fine by the Water Department
- 41.6.3. The community must be informed of such rewards by means of notices in the media and at all pay points and other notice boards of Council.
- 41.6.5. The identity of the Whistle blower will be kept strictly confidential and any person found in contravention of this matter will be dealt with accordingly
- 41.7. The Electrical Department has further concluded extensive research on the different types of consumers, and the types of metering systems implemented by the Council, and has compiled the following penalties which will be imposed to eradicate the tampering of single and three phase meters which have resulted in high energy losses.

41.7.1. Households:

41.7.1.1. Prepaid Meters

- 41.7.1.1.1. Electricity switched off and applicable fine issued;
- 41.7.1.1.2. Owner to re-apply for split meter installation and to be allocated at cost of the owner, according to Council's specifications, alternatively the owner to reapply for a new conventional meter to be re-allocated at erf boundary at cost of the owner according to Council's specifications in relevance with the electrical distribution network;
- 41.7.1.1.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new split meter or conventional meter has been approved and installed at the owners cost;
- 41.7.1.1.4. Existing pre-paid meter to be handed over to Council;

41.7.1.2. Conventional Meters

- 41.7.1.2.1. Electricity switched off and applicable fine issued;
- 41.7.1.2.2. Owner to re-apply for a new conventional meter to be re-allocated erf boundary at cost of the owner according to Council's specifications in relevance with the electrical distribution network;
- 41.7.1.2.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new conventional meter has been approved and installed at the owners cost;
- 41.7.1.2.4. Existing conventional meter to be handed over to Council;

41.7.1.3. Flats (one owner / multiple flats)

- 41.7.1.3.1. Electricity switched off and applicable fine issued;
- 41.7.1.3.2. Owner to install new bulk meter to be re-allocated erf boundary at cost of the owner according to Council's specifications in relevance with the electrical distribution network;
- 41.7.1.3.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new bulk meter has been approved and installed at the owners cost;
- 41.7.1.3.4. Existing pre-paid and conventional meters to be handed over to Council;

41.7.2. Business / Bulk / Industrial Consumers

- 41.7.2.1. Electricity switched off and applicable fine issued;
- 41.7.2.2. Owner to install new electronic bulk meter at own cost on the erf boundary or in high voltage switchgear at the supply point, according to Council's specifications;
- 41.7.2.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new electronic bulk meter has been approved and installed at the owners cost;
- 41.7.2.4. The fines for tampering and installation of meters for the abovementioned will be as approved by the Electrical Department

42. Consumer screening and securities

- 42.1. All applicants for municipal services may be checked for creditworthiness including banking details and information from credit bureaus, other local authorities, trade creditors, and employers.
- 42.2. Deposits will be required, and may vary according to the risk. A minimum deposit will be payable equal to twice the average monthly consumption of the past 3 months with / or a minimum amount as determined annually according to the tariff schedule from time to time.
- 42.3. At the discretion of the municipal manager or representative, deposits can be increased to a maximum of three months average consumption when the account falls into arrears after the current deposit has been confiscated to cover the outstanding debt
- 42.4. Deposits can vary according to the credit-worthiness or service or user category of the applicant.
- 42.5. New consumer deposits for business and industrial consumers may be reassessed three (3) months after the initial deposit date.
- 42.6. In cases, where financial constraints are experienced with the payment of deposits for houses and flats, the situation be revisited to accommodate for the making of arrangements to pay the deposit in two or three equal instalments.
- 42.7. The Council does not pay any interest on consumer deposits.
- 42.8. On the termination of the agreement, the amount of the deposit, less any outstanding amount due to the Council, will be refunded to the consumer.

42.9. On the termination of the agreement the consumer must ensure that all outstanding monies, including arrangements and debt collection handovers are paid

42.10. On the termination of the agreement, arrangements and debt collection handovers must be cancelled.

42.11. Should all outstanding amounts on the relevant account / property not be paid in full, then the account will be handed over for debt collection for the full outstanding amount

43. Persons and Business Who Tender to the Council

The Procurement Policy and Tender Conditions of the Council will include the following:

43.1. When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderers obtain from the Council a certificate stating that all relevant municipal accounts owing by the tenderers and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.

43.2. No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during the contract period.

43.3. A condition allowing the Council to deduct any moneys owing to the Council from contract payments.

44. Debt Management – Credit Control and Debt Collection

44.1. To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

44.2. Criteria for irrecoverable debt - Debt will only be considered as irrecoverable if it complies with the criteria as stipulated in the Councils Irrecoverable Bad Debt Policy:

- 44.3. Notwithstanding the above, the Council or its authorised officials will be under no obligation to write-off any particular debt and will always retain the sole discretion to do so.
- 44.4. Any debt under the amount of R1,000.00 which is dealt with in point 44.2 above, which is older than 90 days and is irrecoverable, may be written off by the Chief Financial Officer or by his/her delegated officials without any submission to Council
- 44.5. The municipality shall be entitled to reverse any amount written off as a bad debt where it is later found that an account holder has misrepresented (whether intentional or negligent) any information whatsoever in order to motivate such write-off of debt.
- 44.6. The municipality shall be entitled to effect the write back immediately against the account holder's municipal account upon noting the fraud or misrepresentation.
- 44.7. The municipality may write back any amount previously written off on behalf of an account holder if the account holder at any time has a credit balance reflected against any of his/her municipal accounts and requests a refund from the municipality for such credit balance. The write back principle will apply to all other account holders, including indigent account holders.

45. Personal contact

Telephonic contact, agents calling on clients:

- 45.1. Council will endeavour, within the constraints of affordability, to make personal, electronic or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigence subsidies, other related matters and will provide information on how and where to access such arrangements or subsidies.
- 45.2. Such contact is not a right for debtors not to pay and disconnection of services and other collection proceedings may continue, in the absence of such contact for whatever reason.

46. Legal Process / Use of Attorneys / Use of Credit Bureaus / Debt Collectors

- 46.1. The Municipal Manager or delegated officials may, when a debtor is in arrears, commence legal process against that debtor, which process could involve warnings, final demands, disconnections, restrictions, summonses, judgements, garnishee orders and as a last resort, sale in execution of property.
- 46.2. The Municipal Manager or delegated officials will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.
- 46.3. The Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding arrears from debtors, through means of service level agreements.
- 46.4. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.
- 46.5. All steps in the customer care and credit control procedure will be recorded for Council's records and for the information of the debtor.
- 46.6. Individual debtor accounts are protected and are not the subject of public information. However, Council may release debtor information to credit bureaus.
- 46.7. The Council may consider the cost effectiveness of the legal process and will receive reports on relevant matters.
- 46.8. The Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council
- 46.9. Appropriate measures will be taken to inform consumers what the responsibilities of service providers will be regarding Customer Care, Credit Control and Debt Collection.

46.10. Once a consumer has been handed over for collection of his/her arrear account, arrangements or extension of time for payment, must be made directly with the appointed attorneys or any other collection agents.

47. Rates clearance

On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges in connections with a property are paid by withholding a rates clearance certificate.

- 47.1. In the case of Rates Clearance Application, the applications will be processed within ten working days or earlier.
- 47.2. Clearance certificates will be issued within 10 working days after required monies have been receipted.
- 47.3. The transfer of ownership will be done within 8 weeks from date of registration depending on the period the Deeds office takes to update the registration on their system.
- 47.4. Valuation Certificates will be issued immediately upon receipt of the fee charged.
- 47.5. Should any other costs arise due to an error on Councils side, Council is entitled to recover the costs if the debt has not prescribed.
- 47.6. The Information and addresses of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner/purchaser for the purposes of billing for rates, services, and consolidated accounts, until the purchaser changes it.
Council will not be held liable or responsible for accounts being delivered to the wrong address. It is the owners and transferring attorney's obligation to ensure that the correct postal address OR email is supplied
- 47.7. In terms of Section 118(1) of the Local Government: Municipal Systems Act as amended, a registrar of deeds may not register the transfer of the property, except on production to that registrar of deeds of a prescribed certificate issued by the municipality and which certifies that all amounts that became due in connection with the property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.

In terms of Section 118(3), an amount due for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties are a charge upon the property in connection with which the amount is owing.

The seller may be requested to provide the Council with payment or a bank guarantee for the balance of the arrear amount, within 5 days from date thereof, failing which Council will be left with no alternative than to enforce the charge against the property and to halt the impending transfer, by obtaining an interdict against the transfer, on an urgent basis.

The Seller/Property Owner will be held responsible for the costs in respect of such an application for an interdict.

47.7. Undertakings will **ONLY** be accepted in the following situations:

47.7.1. Transfer of ownership which involves - late estate from one party to the other where funds are not available.

47.7.2. Insolvency - transfer from one party to another where funds are not available.

47.7.3. Transfer of ownership where a housing subsidy is applicable.

47.7.4. Where special permission is given by the Municipal Manager or delegate

The attorney must pay all monies due to Council after registration date and receipt of subsidy. Any attorney, who defaults, will be reported to the relevant authority and be barred from transacting with Council.

48. Cost of Collection

All costs of legal process's, including interest, service discontinuation costs, debt collection and costs associated with customer care or credit control, wherever applicable, are for the account of the debtor or unless otherwise specified.

49. The Pre-Payment Meter System

The Council will use its pre-payment system to:

- 49.1. link the provision of electricity by the Council to a “pre-payment” system comprising, first, a pre-payment of electricity kWh and;
- 49.2. liaise and recover payments in respect of arrear municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewage.
- 49.3. to enforce satisfactory recovery of arrears by implementing a percentage payment ratio: which will mean that a 70% percentage of a payment will be allocated towards arrears that is 60 days in arrears and a 30% percentage will be allowed for electricity.
- 49.4. the implementation of clause 49.6. of this paragraph does not exempt the consumer from normal credit control procedures if he/she falls behind with his / her current charges.
- 49.5. a consumer can convert from a conventional electricity meter to a prepaid installation at a cost (which includes the pre-paid meter and installation costs) as determined by Council, as well as credit in respect of the used meter in cash. Alternatively, the consumer can repay the cost, interest free, in equal instalments over a period of *three (3)* months to the Council. In the event of the amount not being paid within the *three* months, further electricity coupons will not be issued to the relevant consumer.
- 49.6. The installation of pre-paid meters, with the written permission of the owner, is encouraged but those debtors, whose electricity supply has been disconnected three times for non-payment, will be compelled to install a pre-paid meter before the supply is reconnected. All energy dispensers are installed at the owner or tenant's expense.
- 49.7. Council may implement a blocking system whereby consumers who are in arrears will not be able to purchase prepaid electricity until the arrears has been paid in full or arrangements made to pay off the arrears in terms of this policy

50. Abandonment of Claims

- 50.1. The Municipal Manager must ensure that all avenues are utilised to collect the Council's debt from arrear debtors.

50.2. Circumstances whereby a municipal Council may validate the termination of debt collection procedures as contemplated in section 109(2) of the Local Government Municipal Systems Act of 200, as amended, are as follows:

50.2.1. The insolvency of the debtor, whose estate has insufficient funds.

50.2.2. A balance being too small to recover, for economic reasons considering the cost of recovery.

50.2.3. Where a consumer or groups of consumers are unable to pay for services rendered.

50.3. The Municipal Manager must maintain audit trails in such instances; document the reasons for the abandonment of the actions or claims in respect of debts.

51. Code of Conduct

51.1. All municipal officials shall treat all debtors with dignity and respect at all times. Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Promotion of Access to Information Act No.2 of 2000 as amended.

51.2. All councillors and officials shall conduct themselves according to the "Codes of Conduct" for councillors and municipal staff members as contained in Schedule 1 & 2 of the Municipal Systems Act 32 of 2000 as amended

52. RESPONSIBILITY FOR AMOUNTS DUE

52.1. In terms of Municipal Systems Act 32 of 2000, as amended, Section 118 (3) of the Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.

52.2. Accordingly, all such Municipal debts shall be payable by the owner of such property without prejudice to any claim which the Municipality may have against any other person.

- 52.3. The Municipality reserves the right to cancel a contract with the customer in default and register the owner only for services on the property.
- 52.4. No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.
- 52.5. Where more than one person owns the property, each such person shall be liable jointly and respectively, the one paying the other to be absolved, for all Municipal debts charged on the property.
- 52.6. Except for property rates, owners shall be held jointly and respectively liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.
- 52.7. Refuse removal shall form part of the property debt, payable by the owner of the property.
- 52.8. Directors of Companies, members of Close Corporations and Trustees of Trusts shall sign personal surety ships with the Municipality when opening service accounts. If they are unable to sign the personal surety then a deposit equivalent to twice the usual deposit shall apply.
- 52.9. For so long as a tenant or an occupier occupies a property in respect of which arrears are owing, or an agent acts for an owner in respect of whose property arrears are owing, then the Municipality may recover from such tenant, occupier or agent such moneys as are owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner.
- 52.10. The Municipality may recover the amount in whole or in part despite any contractual obligation to the contrary on the tenant/occupier/agent.
- 52.11. The amount the Municipality may recover from the tenant, occupier or agent is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant, occupier or agent.
- 52.12. Should the tenant, occupier, and/or agent refuse to pay as above, to the Municipality, the services of the tenant, occupier and /or agent may be disconnected.
- 52.13. Should any dispute arise as to the *specified* amount owing according to section 83 of this policy, the customer shall pay all amounts that are not subject to the dispute.

- 52.14. Pre-paid meters shall not be installed until all outstanding debt has been paid in full, subject to clause hereto, unless an arrangement has been made in accordance with this policy
- 52.15. The owner of the property will be held liable for any tampering with the electricity metering equipment or the water metering equipment on the property by the owner or tenants, as well as charges that arise therefrom that might occur. If a meter was found to be registering incorrectly or tampered with, corrections will be done for a period not exceeding 24 months retrospectively based on a three months' average consumption.

53. QUERIES, VERIFICATIONS, OBJECTIONS OR DISPUTES

53.1. QUERY OR VERIFY

- 53.1.1. Should the debtor not agree with an account, a written query must be lodged.
- 53.1.2. Where a tenant wishes to apply for a special reading, a permission letter from the owner must be attached.
- 53.2.1. In this sub-item to query or verify an account refers to the instance when a debtor queries any specific amount or any content contained in any account as rendered by the City of Matlosana to that person as per the process contained herein;
- 53.2.2. any query can be raised orally in person at the enquiry specialists, Finance office of the City of Matlosana or by way of correspondence.
- 53.3. when a debtor queries an account such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the COM, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the COM;
- 53.4. a debtor may be represented by a duly appointed nominee or agent; and such nominee or agent shall, upon request, produce sufficient proof of such appointment;
- 53.5. all queries shall be acknowledged and dealt with as promptly and efficiently as possible by the COM; and

- 53.5.1. where required an outcome shall be conveyed to the debtor;
and
- 53.5.2. where an account query has arisen, the amount queried shall not be subject to debt collection by the City until the query has been resolved and the outcome has been communicated to all parties, where relevant;
- 53.6. the Municipal Manager may suspend any debt collection action, pending the outcome of any query;
- 53.7. notwithstanding any query on any account the account must still be paid, in terms of the provisions contained in this policy, once any queries have been resolved, where relevant; or
 - 53.7.1. subject to any other legislation, payment must be based on the normal average of past accounts rendered until the query is resolved by the City Manager; and
 - 53.7.2. that portion of the account which is not subject to the query must still be paid; and
- 53.8. should a debtor not be satisfied with the outcome of the query, a debtor may lodge an objection
- 53.9. the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipality; and
- 53.10. the onus will be on the debtor to ensure that a suitable response to any query is received.

54. OBJECTION

- 54.1. Should the debtor not agree with the outcomes of the query/verification, a written objection must be lodged. (Note that a query/verification must be lodged first)
- 54.2. In this sub-item, an "objection" refers to the instance when a debtor disputes any specific amount claimed by the Municipality from that person.
- 54.3. Where an objection has been lodged, sub-item (2) of section 102 (2) of the Municipal Systems Act 32 of 2000, as amended, will apply.
- 54.4. Where a tenant wishes to apply for a special reading, a permission letter from the owner must be attached.

54.5. when a debtor objects to an account, such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the COM, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the COM;

54.5.1. a debtor may be represented by a duly appointed nominee or agent; and such nominee or agent shall, upon request, produce a letter of authority;

54.5.2. all objections shall be acknowledged and dealt with as promptly and efficiently as possible by the COM; and where required an outcome shall be conveyed to the debtor; and

54.5.3. where an objection has been lodged, the amount objected to shall not be subject to debt collection by the City until the objection has been resolved and the outcome has been communicated to all parties, where relevant;

54.6. the Municipal Manager may suspend any debt collection action, pending the outcome of any objection;

54.6.1. notwithstanding any objection on any account the account must still be paid, in terms of the provisions contained in this policy, once any objection have been resolved, where relevant; or subject to any other legislation, payment must be based on the normal average of past accounts rendered until the objection is resolved by the Municipal Manager; and

54.6.2. that portion of the account which is not subject to the objection must still be paid; and

54.7. Should a debtor not be satisfied with the outcome of the objection, a debtor may refer a 'dispute'.

54.8. the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipality; and the onus will be on the debtor to ensure that a suitable response to any objection is received

55. DISPUTE

55.1. Should the debtor not agree with the outcomes of the objection, a dispute may be referred. (Note that a query/verification & objection should be lodged first)

55.2. in this sub-item a "dispute" refers to the instance when a debtor disputes any specific mount claimed by the Municipality from that person.

- 55.3. where the dispute process has been implemented in terms of sub-item (2), section 102 (2) of the Systems Act will be applicable;
- 55.4. Council will immediately address the contents of the dispute letter, and our refrain to do so should not be interpreted as an acknowledgement of the correctness of the contents thereof. Our rights in this regard are herewith expressly reserved.
- 55.5. Regarding the contents of the aforementioned the following:
- 55.5.1. The “dispute” envisaged in the [provisions of section 102(2) of the Local Government: Municipal Systems Act, Act 32 of 2000, as amended (hereafter the “System Act”) is limited to a dispute concerning a “...specific amount claimed by the municipality from that person” and the basis for the rate payer’s/consumer’s objection thereto. If an item is properly identified and a dispute properly raised, debt collection and credit control measures cannot be implemented on that specific item because of the provisions of the sub-section.
- 55.5.2. As such, the “dispute” which is the consumer is endeavouring to declare by means of their letter, is a *valid dispute, or is not a valid dispute* as contemplated in terms of section 102(2) of the Systems Act as amended.
- 55.6. Where there is a legitimate dispute on an account the following actions are not allowed:
- 55.6.1. Council is not allowed to consolidate the account with another account;
- 55.6.2. Council is not allowed to cross credit on the account;
- 55.6.3. Council is not allowed to implement any credit control measures by the meaning of: cutting, restricting on the *newly created* dispute account.
- 55.6.4. Council may however implement credit control measures by the meaning of: cutting, restricting on the main account of the consumer
- 55.7. A “dispute account” with a *unique* number will be created whereas the current account as mentioned above should remain up-to-date. In the event where the current account falls in arrears, section 102(1)(c) of the Systems Act as amended and reads thus, “implement any of the debt collection and credit control measures provided for in relation to any arrears on any of the accounts of such a person.”

55.8. Upon the resolving of the "dispute account" all corrections, if any exist, will be processed and the remainder thereof fully paid. The outcome hereof be communicated to the consumer as soon as possible.

55.9. The official dispute form is hereby attached which must be used for the lodging of disputes

**DISPUTE IN TERMS OF SECTION 95(f) READ TOGETHER WITH SECTION 102(2)
OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000 (ACT 32 of
2000) AS AMENDED**

Unique number:.....
(For Office use only)

Date:.....

Sections 95(f) and 102 of the Local Government: Municipal Systems Act. 2000 (Act 32 of 2000), as amended, provide as follows:

95 Customer care and management

In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a Municipality must, within its financial and administrative capacity –

- (f) Provide accessible mechanisms for those persons to query of verify accounts and metered consumption and appeal procedures, which allow such persons to receive prompt redress for inaccurate accounts.*

102 Accounts

(1) A municipality may –

- (a) Consolidate any separate accounts of persons liable for payments to the municipality;*
(b) Credit a payment by such a person against any account of that person; and

(c) Implement any of the debt collection and credit control measures provided for in this Chapter in relation to any arrears on any of the accounts of such a person.

(2) Subsection (1) does not apply where there is a dispute between the municipality and a person referred to in that Subsection concerning any **specific amount claimed by the municipality from that person**.

Therefore, the person referred to hereunder requests that the following dispute be registered with the City of Matosana and that the decision be made known to the complainant within 45 working days from date that the dispute was lodged.

A. PARTICULARS OF COMPLAINANT

Account number:.....

Owner/Tenant:.....

1. Full Names:.....
.....

2. Physical Address:
.....
.....
.....
.....

3. Postal Address:
.....
.....
.....

4. Telephone Numbers:

Work:.....

Home:.....

Cellular phone:.....

Other (contact number):.....

Email address:.....

The Municipality may elect any one or more of the addresses above to which it can forward its decision and if it is sent by normal mail, it will be deemed to have come to the knowledge of the complainant within 14 (fourteen) days after it has been dispatched and if sent by email, within 48 (forty-eight) hours after it was sent electronically. The onus will be on the complainant to ensure that he/she receives a written acknowledgement of the dispute.

B. NATURE OF THE DISPUTE

The complainant must give a full description of the amount/s involved and the nature of the dispute as well as the detailed reason or reasons in support of the dispute. Any documentation and/or proof in support of the dispute/query/verification must be attached hereto. If the proof consists of a photograph, the said photograph must clearly show the date, time and meter number. If the request is for the verification of an account or meter, the complainant must state this.

DETAILED DESCRIPTION OF THE DISPUTE

Amount being disputed: R.....Dispute in terms of:.....
(Water, Electricity or other: please specify)

Reason/s:.....

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C. ACKNOWLEDGEMENT

The complainant hereby acknowledges that:

- 1. No dispute shall be deemed to have been lodged unless it was submitted in writing on the prescribed form. No dispute will be registered verbally whether in person or telephonically.
- 2. The submission of this dispute does not absolve the complainant of any commitments towards the City of Matlosana
- 3. No debt collection and credit control measures will be taken pertaining to the disputed amount.
- 4. Other levies on the account, which do not form part of the disputed amount, are still payable and are not included in the extension for payment.
- 5. If the complainant fails to effect payment of those levies on the account, which do not form part of the disputed amount, the City of Matlosana will have the right to implement any of its debt collection and credit control measures and may resolve in the disconnection of services.
- 6. In the interim, the complainant remains liable and must pay to the City of Matlosana the average of the last 3(three) months accounts pertaining to the dispute item where the history of the complaint's account is available. Where no such history is available, the complainant remains liable for the payment of an estimated amount as prescribed by the City of Matlosana, the payment for which the complainant will be liable until the matter has been resolved.
- 7. The City of Matlosana will provide the complainant with a written acknowledgement of receipt of the dispute and inform the complainant in writing of the outcome of the investigation within 45 working days.
- 8. Any adjustments to the complainant's account will be done in a reasonable time.

9. It is the complainant's responsibility to make sure that the City of Matlosana and/or an authorized representative of the Council is allowed access at all reasonable hours, to the property to read, inspect, install, or repair any meter or service connection. All meters must be clean and accessible.
10. The complainant is responsible for all costs associated with the relocation of a meter if satisfactory access is not possible and/or provided.
11. If it is found that there is no basis for the dispute then the complainant will be levied with any costs pertaining to the execution of the investigation.
12. The Council's authorized official's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in the Customer Care, Credit Control and Debt Collection Policy after the complainant is provided with the outcome of the dispute.
13. The same amount will not again be defined as a dispute and will not be reconsidered as the subject of a dispute.
14. If the complainant is not satisfied with the outcome of the dispute he/she may under protest pay the amount in dispute and redress his/her action to the court of law.

Note: The unique number mentioned above must be quoted in all correspondence with the City of Matlosana.

D. INFORMATION REGARDING DISPUTES

All information regarding disputes can be forwarded to the following officials:

Chief Financial Officer

Postal address: PO Box 99, Klerksdorp, 2570

Physical address: Mayibuye building, C/O Bram Fischer & Emily Hobhouse Street, Klerksdorp, 2570

Telephone number: (018) 487 8300, Email address: finance@klerksdorp.org

Signature Complainant

Acknowledgement of receipt

Name and Surname

Signature

(Please ensure that the consumer gets a copy of the dispute for reference purposes)

shop hours: 07:45 – 15:30 (Mondays to Fridays) 07:45 – 12:00 (Saturdays, only specified points)

	RECEIPT NO:
(b)	B. APPLICATION FOR SERVICES
	KINDLY SUPPLY <input type="checkbox"/> Electricity <input type="checkbox"/> Water <input type="checkbox"/> Sewerage <input type="checkbox"/> Refuse Electricity - <input type="checkbox"/> Single <input type="checkbox"/> 3 Phase electricity <input type="checkbox"/> Prepaid
	Deposit Amount payable - _____
	AS FROM: D D M M C C Y Y □ □ □ □ □ □ □ □
employed - name of business)	AT THE FOLLOWING ADDRESS:
	Name of Flat:
	Number:
	Street Address:
STRIAL	
c name:	Erf Number:
	C: DISCONTINUATION OF SERVICES
	Address at which service is to be discontinued
	Postal code
	KINDLY DISCONTINUE THE: <input type="checkbox"/> Electricity <input type="checkbox"/> Water <input type="checkbox"/> Sewerage <input type="checkbox"/> Refuse
	AT THE ABOVE ADDRESS AS ON: D D M M C C Y Y □ □ □ □ □ □ □ □
Y INFORMATION	AND REFUND DEPOSIT, LESS ANY AMOUNT OWING TO:
	Postal Address:
Postal Code:	Email address:
S - For office use only	Bank Details:
	Bank:
	Branch:
	Account number:
	Date:
	Signature:
Readings:	
Readings:	

TERMS OF AGREEMENT

Jurisdiction

Without prejudice to the rights of the Council, at its option, to institute proceedings in any other court having jurisdiction, the Council and the Consumer hereby consent in terms of Section 45 of the Magistrate Courts Act, 1944, Act 32 of 1944, to the Council taking legal action for the enforcement of any rights under or arising from this agreement in a Magistrates Court which has jurisdiction in respect of the Consumer in terms of Section 28(1) of the Magistrates Court Act, 1944, notwithstanding the above will the parties have the right to approach the supreme court.

Payment for services

The Consumer undertakes to pay for services consumed before or on the date indicated on the monthly statement delivered by the Council to the Consumer at the postal address of the Consumer on the front page of this agreement.

Direct Payments

Direct payments or electronic payments can be made into the bank account of the City of Matlosana, ABSA Bank, Klerksdorp, Account no. 01000100176, branch code 632005. The consumer must state the account number as reference on the deposit slip, together with a breakdown of the amount and be faxed to the Council at (018) 464 2318 without delay. Four (4) official business days must be allowed for processing.

Waiver

The Debtor hereby expressly renounces the benefits of the non-reason or profound cause of the existence of the debt, the cases where there is an element of bookkeeping or accounting calculation is involved, the revision of accounts, no value recorded and, if there is more than one debtor, the debtor is jointly or separately liable for the debt or the creditor obtains the right to first act against the guarantor before the main debtor is excused. I also agree to the terms as stated in clause 3.17 of the Council's Customer Care, Credit Control, and Debt Collection Policy.

Domicilium

The Consumer chooses as the address where notices must be delivered, the address indicated as street address on the front page of this agreement. The Council as sender of notices chooses, Civic Centre, Bram Fischer Street Klerksdorp.

Notices

Every notice to be given by one party to the other in terms of this Agreement shall be in writing and shall be delivered by hand, or posted by prepaid registered post, in which case it shall irrefutably be deemed to have been given and such other party shall be deemed to have been informed of the contents of the notice on the fifth (5th) business day after posting.

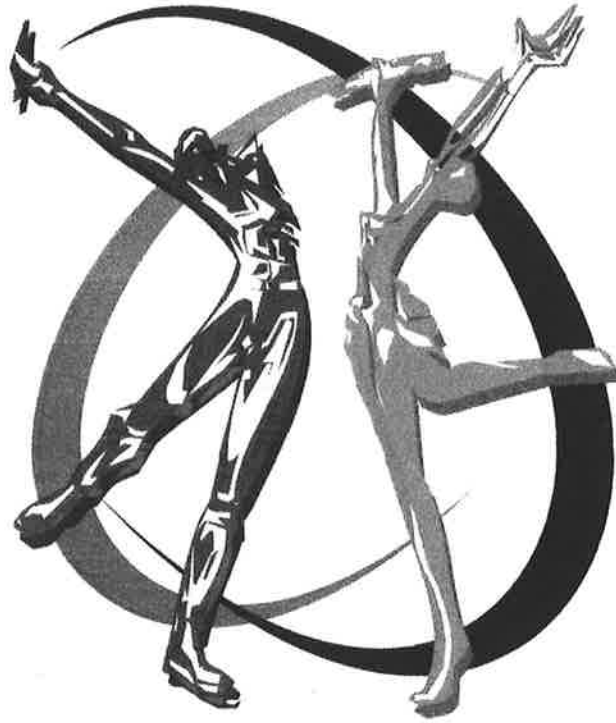
Change of Address and or Information

The Consumer expressly undertake to inform the Council within 3 (days) after such occurrence -

1. Of any change of any address indicated on the front page of this agreement.
2. Of the change of any particulars or personal circumstances indicated on the front page of this agreement.

Discontinuation of Service

The Consumer specifically agrees to inform the Council immediately in writing when the service is no longer required and specifically accept responsibility for the payment of services consumed as a result of any failure to inform the Council that the service is no longer required



CITY OF MATLOSANA

**PROVISION FOR DEBT
IMPAIRMENT POLICY
2019/2020**

PROVISION FOR DEBT IMPAIRMENT POLICY

PURPOSE

To ensure that sufficient provision for bad debt is provided for. The Municipal Finance Management Act, Act 56 of 2003, as amended states that the municipality must manage its revenue by ensuring a proper system of internal control exists in respect of debtors and revenue.

The municipality must budget for realistic anticipated revenue less an acceptable provision for bad debts.

The policy aims to ensure that debtors are disclosed in the annual financial statements at the amounts deemed collectable and uncollectable debt is written off within the guidelines of existing policies and applicable legislation.

By adopting this policy clear guidelines are set on the treatment of the impairment of debtors and write-off of debtors. This is to ensure that sufficient provision for bad debt is provided for.

1. OBJECTIVES

2. The objectives of this policy are to:

- 2.1. ensure any long outstanding debt is evaluated in order to determine the possibility of realizing such income as revenue.
- 2.2. ensure that where it is evident that a particular debt cannot be turned into a revenue such debt be procedurally regarded as irrecoverable.
- 2.3. ensure that the Council of the municipality makes enough provision for bad debts in the budget.
- 2.4. ensure that outstanding monies which have been outstanding for a long time after all attempts have been made in terms of recovering them should then be written off.
- 2.5. ensure the identification of bad debts during the course of the financial year.

- 2.6. provide guidelines on the writing off of bad debts at least three months before the end of the financial year.
 - 2.7. ensure the proper delegation of powers to the chief financial officer to write off bad debts up to a certain amount.
3. A provision shall be recognized when:
- 3.1. An entity has a present obligation (legal or constructive) as a result of a post event,
 - 3.2. It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
 - 3.3. A reasonable reliable estimate can be made of the amount of the obligation

If these conditions are not met, no provision shall be recognized.

2. ROLE CLARIFICATION

The Municipal Manager as an Accounting Officer remains the overseeing authority over all the provisions made on behalf of Council.

The Chief Financial Officer must perform the provision management functions as prescribed in Section 97(d)(ii) of the Local Government Municipal Systems Act 2000 as amended and the delegation authority of the Council as prescribed in Section 82 of the Municipal Finance Management act, 2003 (Act 56 of 2003) as amended.

3. DELEGATIONS

The Chief Financial Officer may delegate the provisions responsibility to either his deputy or the provisions responsibility to either his deputy or the assistant managers as prescribed in Section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

4. ADMINISTRATION

The administration shall be done by the Budget and Treasury Office

4.1. ADMINISTRATION PROCEDURE

4.1.1. Annual provision for bad debt shall be provided for as follows:

4.1.1.1. 90% of all outstanding debts 90+ days and older based on the estimated age analysis of the financial year end of which the financial statements are drawn up for

4.1.1.2. and 50% for 60 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for.

4.2. Provision for bad debt shall be provided for the following services:

4.2.1.1. electricity basic charges

4.2.1.2. electricity consumption,

4.2.1.3. housing rentals and instalments

4.2.1.4. interest and/or surcharges

4.2.1.5. miscellaneous and sundry charges

4.2.1.6. property rates,

4.2.1.7. refuse removal,

4.2.1.8. sewerage services (Basic and Additional Charges)

4.2.1.9. water basic charges

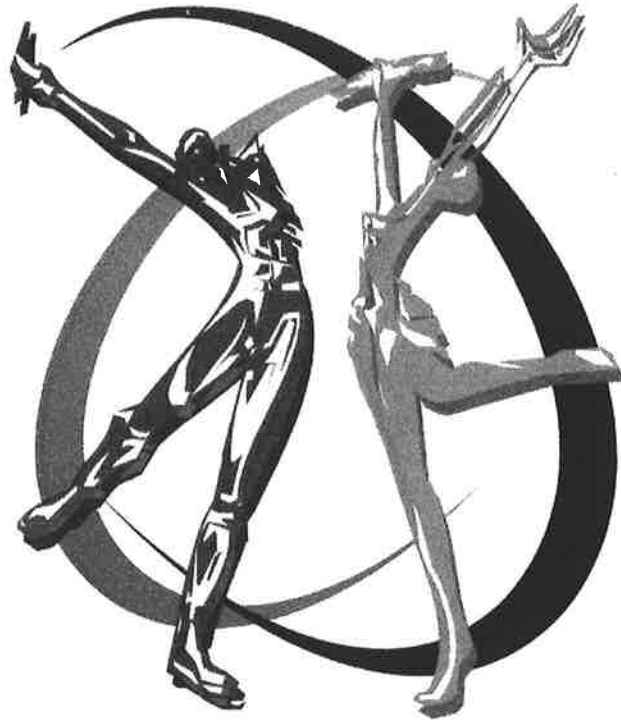
4.2.1.10. water consumption,

4.3. Debtors will be analyzed in terms of concentrations of individual risk classes showing each individual ageing

5. RECORDS AND REPORTS

5.1. The Chief Financial Officer or the delegated official must keep all provisions transactions in accordance with General Recognized Accounting Practices.

5.2. The Chief Financial Officer or the delegated official must report to the Accounting Officer / Municipal Manager the provisions portfolio in a prescribed form as required by the Municipal Regulation and must review and adjust the provisions with the adjustment budget



CITY OF MATLOSANA

FUNDING POLICY

2019/2020

FUNDING POLICY 2019/20

1. Application and Scope

The Funding Policy is applicable to the City of Matlosana Municipality.

2. Objectives of Policy

- To ensure the operating and capital budgets of council are appropriately funded
- To ensure that provisions and reserves are maintained at the required levels to avoid future year unfunded liabilities

Funding of capital and operating budget

(a) The budget may be financed only from:

- i. realistically expected revenues, based on current and previous collection levels;
- ii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- iii. borrowed funds in respect of the capital budget only.

3. CAPITAL BUDGET

(a) municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

(b) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

(c) Before approving a capital project, the Council must consider:

- i. the projected cost of the project over all the ensuing financial years until the project becomes operational,
- ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).

(d) Before approving the capital budget, the council shall consider:

- i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
- ii. depreciation of fixed assets,
- iii. maintenance of fixed assets, and
- iv. any other ordinary operational expenses associated with any item on such capital budget.

(e) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

(f) The capital expenditure shall be funded from the following sources:

Revenue or Surplus

- If any project is to be financed from revenue this financing must be included in the
- cash budget to raise sufficient cash for the expenditure.
- If the project is to be financed from surplus there must be sufficient cash Available at time of execution of the project

External loans

- External loans can be raised only if it is linked to the financing of an asset;
- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the revenue budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

Grant Funding

- Non capital expenditure funded from grants
 - ° must be budgeted for as part of the revenue budget;
 - ° Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- Capital expenditure must be budgeted for in the capital budget;
- Interest earned on investments of Conditional Grant Funding shall be Capitalised if the conditions state that interest should accumulate in the fund.
- If there is no condition stated the interest can then be allocated directly to the revenue accounts.
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.

4. OPERATING BUDGET

(a) The municipality shall budget in each annual and adjustments budget for the contribution to:

- i. provision for accrued leave entitlements equal to 100% of the accrued leave
- ii. entitlement of officials as at 30 June of each financial year,
- iii. provision for bad debts in accordance with its rates and tariffs policies
- iv. provision for the obsolescence and deterioration of stock in accordance with its stores management policy
- v. Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
- vi. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.

(b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.

(c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

(d) The operating budget shall reflect the impact of the capital component on:

- depreciation charges
- repairs and maintenance expenses
- interest payable on external borrowings
- other operating expenses.

(e) The chief financial officer shall ensure that the cost of indecency relief is separately reflected in the appropriate votes.

5. UNSPEND CONDITIONAL GRANTS

5.1 Criteria for the rollover of conditional grant funds

Section 22 of the 2018 Division of Revenue Act (DoRA) requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer, provincial treasury and transferring national officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 22(2) of the DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer must be addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2018 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
 - a) Proof that the project tender was published and the period for tender submissions closed before 31 March;
 - b) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; orProof of a project tender, appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project;
- d) Incorporation of the Appropriation Statement;
- e) Evidence that all projects linked to an allocation will be fully utilised by 30 June (attach cash flow projection for the applicable grant).
4. A progress report (also in percentages) on the status of each project's implementation that includes an attached, legible implementation plan);
5. The value of the committed project funding, and the conditional allocation from the funding source;
6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA;
7. Municipalities must not include previous year's unspent conditional grants as a rollover request. Rollover of rollovers will not be considered;
8. An indication of the time-period within which the funds are to be spent if the roll over is approved; and
9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

5.2 Unspent conditional grant funds

The process to ensure the return of unspent conditional grants will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

Step 1: Municipalities must submit their June conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile.

Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June. These amounts **MUST** exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately.

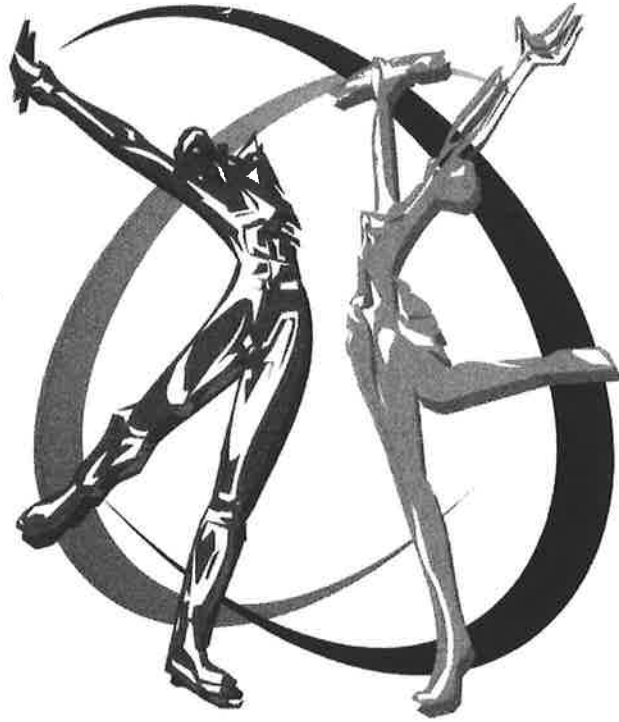
Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2018 DoRA that the unspent funds are committed to identifiable projects, the roll over application pack must be submitted to National Treasury by 31 August. National Treasury will not consider any rollover requests that are incomplete or received after this deadline.

Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 22 October or whether it will agree to any alternative payment arrangement or schedules.

Step 5: National Treasury will communicate the unspent conditional grants amount by 05 November. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 18 November.

Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 18 November, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 02 December equitable share allocation.

All other issues pertaining to Appropriation Statement and reporting on approved roll overs are addressed in the Annexure to MFMA Circular No. 86.



CITY OF MATLOSANA

**INVENTORY
MANAGEMENT POLICY
2019/2020**

1. OBJECTIVE

2. DEFINITIONS

3. SCOPE

4. LEGAL FRAMEWORK

4.1 MEASUREMENT AT RECOGNITION

4.2 MEASUREMENT AFTER RECOGNITION

4.3 RECOGNITION AS AN EXPENSE

5 INVENTORY PROCEDURE

5.1 PROCEDURES FOR INVENTORY

5.2 APPOINTMENT OF RESPONSIBLE OFFICIALS

5.3 ORDERING OF INVENTORY

5.4 RECEIPT OF INVENTORY

5.5 STORAGE OF INVENTORY

5.6 ISSUING OF INVENTORY

5.7 OBSOLETE INVENTORY

5.8 INVENTORY COUNT

6 INVENTORY REGISTER

7 REPORTING

8 POLICY REVIEW

ANNEXURES

Annexure A: Summary of Inventory Procedures

Annexure B: Handing Over Certificate

Annexure C: Inventory Count Certificate

Annexure D: Stock Issue Note

Annexure E: Bin cards

1. OBJECTIVE OF THE POLICY

1.1 The policy aims to achieve the following objectives which are to: -

- a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- b) Procure inventory in line with the established procurement principles contained in the Municipality's Supply Chain Management Policy.
- c) Eliminate any potential misuse of inventory and possible theft.

2. DEFINITIONS

2.1 In this Policy, unless the context indicates otherwise, the following definitions are applied: -

"Accounting Officer" means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003

"CFO" means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act, 56 of 2003

"Cost" shall comprise costs of purchase, costs conversion and other costs incurred in bringing the inventories to their present location and condition

"Delegated authority" means the official who is given the authority for relevant functions in terms of the municipality's written delegations;

"Good received note" means an electronic number which is created on the system to acknowledge the receipt of goods in good condition and correct quantities

"Inventories" are assets:

In the form of material or supplies to be consumed in the production process,

In the form of materials or supplies to be consumed or distributed in the rendering of services

Held for sale or distribution in the ordinary course of operations, or In the process of production for sale or distribution

"Supply Chain Manager" shall mean the person appointed as Supply Chain Manager under section 4.1 below.

"Municipality" shall mean the City of Matlosana Local Municipality;

"Net Realisable" Is the estimated selling price in the ordinary course of operations less the estimated costs of completion and estimated costs necessary to make the sale exchange or distribution.

"Obsolete inventory" means items that have expired, are redundant or damaged;

"Re-order level" means the level of inventory at which inventory is re-ordered;

"Requisition form" means a written request to the Inventory Supervisor to supply specified inventory;

“Responsible manager” means the official responsible for the budget of an organizational unit in the municipality, directorate or institution; City of Matlosana Local Municipality Inventory Management Policy

“Store” means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;

“Stores Controller” means the official responsible for the requisition, receipt, issue, recording, safeguarding of inventory and cost-effective and efficient management of inventory.

3. SCOPE

3.1 This policy applies to City of Matlosana Local Municipality’s inventory received by the Receiving Clerk and issued to users by the Dispatch Clerk

3.2 This policy specifically excludes:

- a) Pharmaceutical inventory, livestock and
- b) Equipment and other assets not defined as inventory;

4. LEGAL FRAMEWORK

In terms of the MFMA, the Accounting Officer for a municipality must:

- a) Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1) (a);
- b) Take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and other losses as per section 62(1)(d);
- c) Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1) (a) and (b).

In terms of the following paragraph of GRAP 12:

Inventories shall be recognized as an asset if, and only if,

- a) It is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- b) The cost of the inventories can be measured reliably.

4.1 MEASUREMENT AT RECOGNITION

Inventories that qualify for recognition as assets shall initially be measured at cost

Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of acquisition

4.2 MEASUREMENT AFTER RECOGNITION

Inventories shall be measured at the lower of cost and net realization value, except where paragraph .18 applies

Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- a) Distribution at no charge or for a nominal charge, or
- b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

4.3 RECOGNITION AS AN EXPENSE

When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write –down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset

5. INVENTORY PROCEDURES

5.1 The procedures for inventory must be followed to ensure that:

- a) Inventory is safeguarded at all times;
- b) There are accurate records of quantities on hand at all times;
- c) Optimum inventory levels are maintained to meet the needs of users;
- d) Only authorised issues of inventory are made to users; and
- e) Items placed in store are secured and only used for the purpose for which they were purchased.

5.2 APPOINTMENT OF RESPONSIBLE OFFICIALS

5.2.1 The CFO must appoint, in writing, officials to perform the duties of a Store Controller in terms of this Policy.

5.2.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

5.3 ORDERING OF INVENTORY

5.3.1 Each department must set its own Inventory reorder levels for all items in consultation with the CFO, the inventory levels must indicate the minimum and maximum inventory that can be maintained.

5.3.2 Due diligence and care shall be exercised in identifying low value and high value items of inventory

5.3.3 Minimum inventory level of high value items shall be ordered; any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory.

5.3.4 A reorder listing should be printed by Store Controller and reviewed weekly by the Supply Chain Manager

5.3.5 The Store Controller must use the reordering maximum quantities as a primary source of information to complete the applicable purchase form as per Supply Chain Management Policy.

5.3.6 A copy of the purchase order form will then be forwarded by the Store Controller to the Receiving Clerk to match the goods received against the order once goods are delivered at the stores

5.3.7 Orders must thereafter be filed in alphabetical order, one file for delivered Orders and one file for outstanding orders.

5.3.8 This file must form the basis for follow up of orders and for matching goods that are delivered to inventory department.

5.3.9 The orders file should be reviewed weekly by the Stores Controller and any orders, which have not been delivered as per the agreement with the Store Controller, must be followed up immediately

5.4 RECEIPT OF INVENTORY

5.4.1 The quantity and quality of the inventory received from suppliers must be according to specifications and information on the order form.

5.4.2 The Receiving Clerk must compare the delivery note to the purchase order before accepting the goods.

5.4.3 The invoice or delivery note must match the supplier name and order number.

5.4.4 The Receiving Clerk must create an electronic Goods Received Note on the system to record all the inventory items delivered in good condition.

5.4.5 The Receiving Clerk must ensure that:

- a) All delivery notes and or invoices are signed by him/her and the driver
- b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note and or invoice; and

c) The supplier signs all amendments

5.4.6 The inventory received must then be transferred to the secured store by the general worker and the goods receive number and quantities captured on the bin card by the Receiving Clerk.

5.4.7 The inventories must be stored in their respective sections once they have been received as detailed in 5.5

5.4.8 The inventory record on the system must be updated on the day the goods are received, by the Receiving Clerk and authorized on the system by the Store Controller

5.5 STORAGE OF INVENTORY

5.5.1 Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the municipality.

5.5.2 The area must be used exclusively for the storage of inventory, with limited authorised access only.

5.5.3 Inventory must be positioned to facilitate efficient handling and checking.

5.5.4 All items must be stored separately, with proper segregation.

5.5.5 Inventory must be clearly labelled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items.

Details on bin cards should include the following:

- a) Order number;
- b) Quantity received;
- c) Date of receipt;
- d) Quantity issued;
- e) Date of issue;
- f) Maximum stock level;
- g) Re-order level;
- h) Re-order quantity;
- i) Closing stock; and
- j) Any other relevant information.

5.5.6 Where possible, all items of the same type and reference must be stored together as per the description on the inventory records.

5.5.7 Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph .35 of GRAP, to reduce the occurrence of expired or obsolete stocks.

5.5.8 Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.

5.5.9 Due regard must be given to any safety standards which may apply to the storage of certain inventories.

5.5.10 Steps must be taken to ensure safe custody of items, including precautions against loss or theft

5.5.11 The Store Controller or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence, such items, where applicable, are securely stored.

5.5.12 The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.

5.5.13 No unauthorised persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.

5.5.14 Whenever a change in the Store Controller occurs, an inventory count must be conducted.

5.5.15 The responsible official shall be liable for any negligent loss or damage to any inventory within her area of responsibility

5.5.15 an independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.

5.5.16 Should the above not be complied with, the official taking over shall be liable for any discrepancies.

5.5.17 A handing-over certificate, attached here to as Annexure B, must be completed by the handing and taking over officials and a copy retained for record purposes.

5.5.18 The following fire protection precautions must be adhered to:

- a) Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;
- b) The area must be clearly signposted; and
- c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

5.6 ISSUING OF INVENTORY

- 5.6.1 Only the Dispatch Clerk is authorised to issue inventory from the storeroom.
- 5.6.2 Inventory must only be issued in terms of the approved requisition form of the Municipality.
- 5.6.3 All requisition forms must be ruled off immediately below the last item to prevent items being added once the r5.6.4 The Dispatch Clerk must update the bin card when stock items to be issued have been picked up from the shelves with the requisition number and quantities
- 5.6.5 The official receiving the inventory must acknowledge the receipt of stock items requested, by signing on the requisition for goods received.
- 5.6.6 Inventories must be issued and used for official purposes only.
- 5.6.7 The Dispatch Clerk capture the requisition on the system and then it must be authorized by the Store Controller
- 5.6.8 head of department shall take all responsibility of all stock issued to them immediately on receipt of the stock, when the stock is returned to the stores, the stock shall be recorded as a returned stock and must be returned through the relevant voucher and recorded by the stock controller on the bin card and on the system before it is packed on the racks.
- 5.6.9 the department shall be liable for any negligent loss or damage to the stock issued to them.

5.7 OBSOLETE INVENTORY

- 5.7.1 The preparatory work for the disposal of obsolete inventory must be undertaken by the Store Controller and verified by the Supply Chain Manager.
- 5.7.2 The Accounting Officer or delegated authority must approve the disposal of obsolete inventory.
- 5.7.3 The delegated authority may approve the write-off of inventory, if satisfied that: -
- a) The inventory has expired and is redundant;
 - b) The inventory is of a specialized nature and has become outdated due to the introduction of upgraded and more effective products;
 - c) The inventory cannot be used for the purpose for which it was originally intended; or
 - d) The inventory has been damaged and is rendered useless.
- 5.7.4 All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.
- 5.7.5 Before any obsolete inventory can be dispose, council approval must first be obtained. This inventory will then be sold at a public auction to the highest bidder requisition is authorized by the responsibility manager, supervisor or foreman

5.8 INVENTORY COUNT

5.8.1 Items may be subject to an inventory spot count on a monthly basis.

5.8.2 Inventory counts may be carried out on a four monthly basis with a full inventory count at the end of each financial year.

5.8.3 All approved Municipal procedures and processes must be complied with during the inventory count.

5.8.4 The Store Controller must document in Annexure C and report to the CFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.

5.8.5 The CFO must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Executive Committee of the Municipality for the write-off of any inventories losses, or the write –up of surpluses.

5.8.6 The appropriate disciplinary action must be instituted when applicable.

5.8.7 The inventory record, register, database or system must be updated accordingly.

6. INVENTORY REGISTERS

6.1. An inventory register must be maintained for all inventory items, either manually (Bin Cards) and / or electronically.

6.2 All relevant information must be included on the bin cards for the proper management and control of all inventory items. It is recommended that details include but are not limited to:

- a) Order number/date;
- b) Item description;
- c) Quantity and value of stock on hand;
- d) Quantity and value of stock received;
- e) Quantity and value of stock issued;
- f) Re-order level;
- g) Optimum inventory level;
- h) Quantity and value of obsolete stock; and
- i) Opening/closing balance

6.3 An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

7. REPORTING

7.1 A report must be submitted at each stock count to the Chief Financial Officer and/or the Responsible Manager detailing the following:

- a) Any inventory shortages or surpluses and the reasons for such;
- b) Any inventory deficits proposed to be written-off; and

c) Any obsolete inventory items.

7.2 Inventories purchased during the financial year must be disclosed at cost in the disclosure notes of the Annual Financial Statements of the Municipality.

7.3 In terms of GRAP 12 the financial statements shall disclose:

- a) the accounting policies adopted in measuring inventories, including the cost formula used,
- b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
- c) the carrying amount of inventories carried at fair value less costs to sell,
- d) the amount of inventories recognized as an expense during the period,
- e) the amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph .43,
- f) the amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with paragraph .43,
- g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 43, and
- h) the carrying amount of inventories pledged as security for liabilities.

8. REVIEW OF POLICY

This policy shall be reviewed annually preceding the new budget commencing on 01 July and be amended, if necessary.

**ANNEXURE A:
PROCEDURES FOR ORDERING, RECEIPT, MAINTENANCE, ISSUING AND
DISPOSAL OF STOCK**

Standard operation procedures (SOP'S)

Issuing Hours 7h30 to 10h30

Issuing Hours 13h45 to 15h00

To allow the posting, authorizing and re-ordering of inventory

NO.	PROCEDURE	FREQUENCY
1.	Ordering of Stores:	
1.1	Stores reorder levels must be set for all items by the CFO which will be as follows: <input type="checkbox"/> Reorder Level <input type="checkbox"/> Maximum Level <input type="checkbox"/> Minimum Level <input type="checkbox"/> Emergency Level	On-going
1.2	A reorder listing should be printed weekly and reviewed by the Store Controller before purchase order can be completed.	On-going
1.3	The Store Controller: <input type="checkbox"/> Must use the listing as a primary source of information to complete the purchase form; and <input type="checkbox"/> Physical inspection of stock on shelves shall be conducted before the purchase form is filled in been ordered. Orders must thereafter be filed in date sequence.	On-going

NO.	PROCEDURE	FREQUENCY
1.4	A copy of the purchase order form will then be forwarded by the Store Controller to the Receiving Clerk.	On going
1.5	The order must be matched to the purchase form to verify that the correct quantities and correct items have	On going
1.6		On going
1.7		On going
1.8	A copy of the purchase order form will then be forwarded by the buying section to the stores section. The order must be matched to the requisition copy to verify that the correct quantities and correct items have been ordered.	On going
1.9	Orders must thereafter be filed in date sequence. This file must form the basis for follow up of orders and for matching goods that are delivered to stores The Supply Chain Manager should review the orders file weekly and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.	On going
2.	Receipt of Stock:	
2.1	Goods will be delivered to the receiving area where the documentation will be recorded and then forwarded to the Store Controller.	On going
2.2	The Receiving Clerk must match the delivery note to the purchase order, an electronic GRN will be created on the system and authorized by the Store Controller	On going
2.3	The Receiving Clerk must compare the delivery note to the relevant order before accepting the goods.	On going

NO.	PROCEDURE	FREQUENCY
2.4	The goods received note or invoice must be signed by the Receiving Clerk as proof of acceptance of the goods.	On going
2.5	A computerised Goods Received Note or Stores Issue Requisition which reflects full particulars of receipts and issues must be maintained by the Receiving Clerk /Dispatch Clerk and updated/authorized by the Store Controller, immediately when goods are received or issued.	On going
2.6	Goods that is unused after the completion of the work or the fulfillment of the purpose for which they were issued, must be returned to the store and must be included in stock.	Periodically
2.7	Goods Returned Note shall be filled in if stock is returned by the department to the warehouse. The Goods Returned Note shall be prepared by the Responsible Official and signed by the Responsible Manager	Periodically
2.8	The Store Controller shall acknowledge the receipt of goods from the department by signing the Goods Returned Note	On going
3.	Maintenance of Stores:	
3.1.	Inventory and equipment belonging to the Council must be clearly marked/ bar-coded as such, to indicate ownership.	On going
3.2	Inventory belonging to the Council shall be kept in a place approved of by the CFO, subject to the conditions he or she determines.	On going
3.3	No section shall carry inventory in excess of its normal requirements, as may be determined by the CFO.	On going
3.4	The CFO shall ensure that at least once every financial year, stock-taking of all stores of the Council takes place as follows:	Annually
3.4.1	The financial year-end stock take will take place on the last week of the financial year or as close to that date as possible.	Annually
3.4.2	All Heads of Sections and the Council's external auditors must be notified of the date of the annual year end stock take.	Annually

NO.	PROCEDURE	FREQUENCY
3.4.3	Stores must be closed at noon the day before stock take. A notice to this effect must be prominently displayed on the stores notice board.	Annually
3.4.4	In the case of an emergency, stock items may only be issued on the explicit authority of the CFO	Annually
3.4.5	Prior to stock take, the Store Controller must ensure that all transactions up to the date of stock take have been recorded. All goods received notes, requisition issues and goods returned notes should be captured onto the stores computer system.	Annually
3.4.6	An official delegated the responsibility, shall make available stock take listing sheets to auditors for recording the physical count figures.	Annually
3.4.7	All bin cards must be removed from the shelves before the stock count.	Annually
3.4.8	Stock items must be counted in an orderly fashion from one end to the other, using the two count method by and by persons not dealing with stock on a regular basis.	Annually
3.4.9	Stock that has been drawn for use at a later date should be included in the stock-count and not expensed. Consumables should also be included in the stock-count and not expensed.	Annually
3.4.10	After each item is counted, they must be marked with a sticker to indicate that they have been counted.	Annually
3.4.11	After each item is counted, the total must be entered onto the stock sheets.	Annually
3.4.12	Stock sheets must be signed by counters and checkers. On completion of the count, all stock sheets must be handed to the Supply Chain Manager.	Annually

NO.	PROCEDURE	FREQUENCY
3.4.13	Physical count figures will be verified to the computerised listing. The Store Controller should not be involved in any aspect of this verification.	Annually
3.4.14	Should any discrepancies arise, a recount of the product is done, and the requisition entries are re-checked.	Annually
3.4.15	All write-offs of obsolete or damaged stock should be authorised by the CFO.	Annually
3.4.16	The Store Controller shall submit a report stating the quantity and value of any surplus or shortage of stores revealed by the stock-take, together with the possible reasons for this.	Annually
3.5.17	The CFO shall then report such surpluses and shortfalls to the Council for further steps to be taken, if necessary.	Annually
3.5.18	A thorough internal control system must be established by the CFO to ensure that when a change of officials responsible for stores and equipment takes place, accountability with regard to losses and deficits can be clearly established.	Periodically
3.6	The CFO shall then report such surpluses and shortfalls to the Council for further steps to be taken, if necessary.	Periodically
3.7	A thorough internal control system must be established by the CFO to ensure that when a change of officials responsible for stores and equipment takes place, accountability with regard to losses and deficits can be clearly established.	Periodically
4.	ISSUE OF STOCKS	
4.1	Only the Dispatch Clerk is authorized to issue goods from the General stores.	On going
4.2	Goods should only be issued in terms of a properly authorised requisition form.	On going
4.3	Specimen signatures of all persons authorized to sign requisitions shall be supplied to the Store Controller.	On going
4.4	If the signature is not of an authorised official, the requisition should be sent back to the respective section.	On going

NO.	PROCEDURE	FREQUENCY
4.5	The Responsible Manager, Supervisor or Foreman must verify that the correct vote is entered on the requisition for the type of goods requested and that there is sufficient budget provision against the vote.	On going
4.6	The Dispatch Clerk and recipient of goods must agree that the goods requisitioned, agree to the goods drawn from stores, as on the requisition.	On going
4.7	The recipient must sign the requisition as evidence that the goods stated on the issue note, have been received.	On going
4.8	Once the stores have been issued, the requisition is captured into the computer system by the Dispatch Clerk and authorised by the Store Controller.	On going
4.9	The daily requisitions must be captured on a spreadsheet and signed off by the relevant officials and then filed together with the requisitions on a daily basis	On going
5.	Disposal of Goods:	
5.1	The CFO must furnish the Council with a list of goods to be disposed of, together with the reasons for their disposal.	Periodically
5.2	The goods disposed of in the instance referred to above may only be handed over to the purchaser on full payment of the purchase price, or when other satisfactory arrangements for payment have been made with the CFO.	Periodically
5.3	Stores may be disposed of by public auction provided that the approval of Council is obtained.	Periodically

ANNEXURE B

HANDING-OVER CERTIFICATE

I certify that this is a true statement of inventory as per stock report attached hereto and that inventory has been duly accounted for.

Signature of official handing over inventory: _____
Designation : _____
Date : _____

I certify that this is a true statement of inventory as per stock report attached hereto and that I inventory has been duly accounted for

Signature of official taking over inventory: _____
Designation : _____
Date : _____

ANNEXURE C

Reference: _____

Enquiries: _____

Date: _____

BUDGET AND TREASURY DEPARTMENT

Attention: Chief Financial Officer

QUARTERLY INVENTORY COUNT FOR THE PERIOD: _____

This is to certify that the quarterly inventory count has been undertaken for all items.

The under-mentioned discrepancies were found:

1. SURPLUS INVENTORY

	DESCRIPTION OF ITEM	QUANTITY	VALUE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

The following factors gave rise to the surplus items:

2. DEFICIT INVENTORY

	DESCRIPTION OF ITEM	QUANTITY	VALUE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Total value of issues for the period under review R _____

The following factors gave rise to the deficit items:

We certify that an inventory count of items was undertaken by:

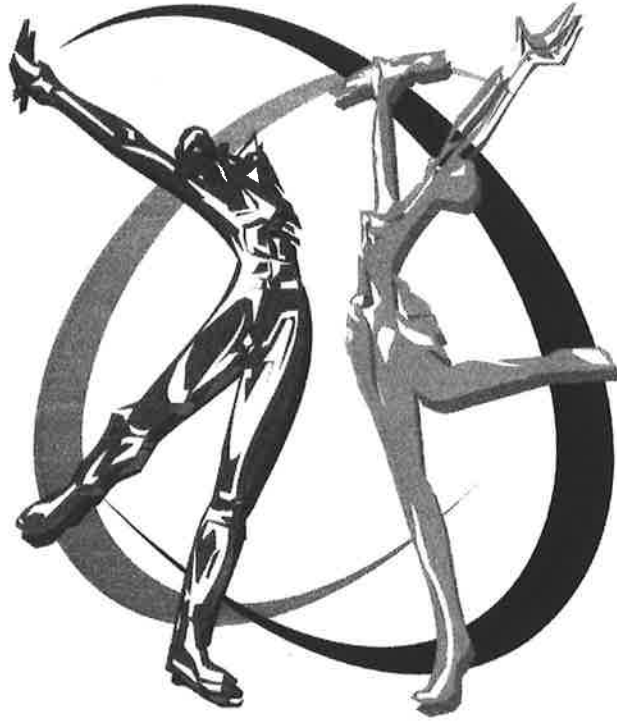
Name: _____ Rank: _____ Signature: _____

Name: _____ Rank: _____ Signature: _____

Name: _____ Rank: _____ Signature: _____

HEAD OF DIVISION

DATE



CITY OF MATLOSANA

**TARIFF POLICY
2019/2020**

City of Matlosana

TARIFF POLICY

TABLE OF CONTENTS

ITEM NO	ITEM	PAGE NO
1.	DEFINITIONS	3-6
2.	INTRODUCTION AND PURPOSE OF THIS POLICY	6
3.	TARIFF PRINCIPLES	6-8
4.	CATEGORIES OF USERS	8-10
5.	CLASSIFICATION OF SERVICES, AND COST ELEMENTS	8
5.1.	Classification of Services	8-10
5.2.	Cost Elements	10
6.	DEPOSITS	10
7.	TARIFF TYPES	10-12
8.	REBATES	12
9.	UNIT OF MEASUREMENT	12-15
9.1.	Water (Basic fee & Consumption)	13
9.2.	Electricity (Basic fee & Consumption)	14
9.3.	Refuse Removal	14
9.4.	Sewer (Basic fee & Additional)	14-15
9.5.	Property Rates	15
9.6.	Social Benefits	15
10.	FUNCTION/ UNIT OR OUTPUT CLASSIFICATION BY COUNCIL	16-19
11.	BILLING OF ESTIMATED CONSUMPTION	19-20
11.1.	Need to estimate consumption and the basis thereof	19
11.2.	Adjustment to estimated account	19
11.3.	Failure of meter	19-20
11.4.	No account received	20
12.	VAT	20
13.	DETERMINATION, NOTICE OF TARIFFS, FEES, LEVIES AND OBJECTIONS	20-21
14.	PHASING IN OF TARIFFS, FEES AND LEVIES	22
15.	CONFLICT OF LAW	22
16.	SHORT TITLE AND COMMENCEMENT	22

1. Definitions

In this policy, any word or expression to which a meaning has been assigned in the Act must bear the same meaning and, unless inconsistent with the context:

“Act” means the Local Government Municipal Systems Act 2003, (Act 32 of 2000) as amended by Act 44 of 2003 and any promulgated Regulations in line with the Act

“Municipal Finance Management Act” means the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) as amended and promulgated Regulations in line with the Act;

“Municipal Property Rates Act” means the Local Government Property Rates Act, (Act 6 of 2006) and promulgated Regulations in line with the Act;

“Municipal service” means a municipal service defined in section 1 of the Municipal Systems Act;

“community services” means services that the Council has classified as such, and in respect of which the tariffs have been calculated with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature;

“MMC - Finance” means the member of the municipal council responsible for financial matters in the municipality;

“Council” means the Council of the City of Matlosana Municipality, established in terms of section 12 of the Local Government Municipal Structures Act, Act 117 of 1998;

“Municipality” means the City of Matlosana;

“economic services” means services that the Council has classified as such, in respect of which the tariffs have been calculated with the intention that the total costs of the services are recovered from users;

“Domestic user” means a user of electricity, water or borehole water, sewerage or refuse removal for residential purposes only.

"Poor household" means a domestic user who qualifies, together with his or her dependents, as an indigent person in terms of the Council's indigent relief policy.

"Stepped tariffs" means that a specific tariff is applicable for each step to all consumers.

"Tariff policy" means the tariff policy of the Council adopted in terms of Section 74(1) of the Municipal Systems Act.

"fixed costs" means costs, which do not vary with increased or decreased consumption or volume produced;

"flat rates" means the unit tariffs that do not relate to individual consumers, but are calculated by dividing the total costs by volume used by all the users together;

"total cost" means the sum-total of all fixed and variable costs related to a service;

"trading services" means services that the Council has classified as trading services, in respect of which the tariffs have been calculated with the intention that the Council makes a profit on the delivery of the services;

"two-part tariffs" means tariffs that are determined to cover the fixed and variable costs of a service separately, where the fixed costs are calculated by dividing the total amount of fixed costs of the service by the number of customers per category, and the variable costs are calculated by dividing the total amount of variable costs by the volume consumed;

"Energy charge (active)" means a charge for each unit of energy consumer charged at c/kWh;

"units consumed" means the number of units of a particular service consumed and are measured in terms of the units of measurement contemplated in section 8 of this policy;

“variable costs” means costs that vary with increased or decreased consumption or volume produced.

2. Introduction and Purpose of this policy

- 2.1 The City of Matlosana Municipality must in terms of section 74(1) of the Local Government Municipal Systems Act, Act 32 of 2000, as amended, adopt a tariff policy on the levying of fees for municipal services provided by the municipality.
- 2.2 The tariff policy may differentiate between different categories of users, debtors, service providers, service, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.
- 2.3 Tariffs are calculated in various different ways, dependent upon the nature of the service being provided.
- 2.4 The tariff policy applies to the multi-year annual budget of a related year during which the income is based on the principles contained in this policy.
- 2.5 The purpose of this policy is:
- 2.5.1 to ensure compliance with the applicable legislation (Section 75 of the Act
 - 2.5.2 to prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
 - 2.5.3 to serve as guidance to the designated councilor regarding tariff proposals that must be submitted to Council annually during the budget process.
 - 2.5.4 Ensure the tariffs of the municipality conform to acceptable policy principles.

3. Tariff principles

The following tariff principles based on the tariff policy set out in section 74(2) of the Systems Act, apply to the levying of fees for municipal services:

- 3.1. All users of municipal services must be treated equitably in the application of tariffs and the various categories of users must consequently pay the same charges based on the same cost structure;
- 3.2. The amount payable must be in proportion to usage and based on the tariff structure adopted for the approved category of users;
- 3.3. indigent households must have access to basic services through lifeline tariffs or direct subsidization in accordance with the Council's indigent support policy as reflected as part of its Customer Care, Credit Control and Debt Collection Policy;
- 3.4. Tariffs must reflect the total cost of services;
- 3.5. Tariffs must be set at a level that facilitates the sustainability of services; and
- 3.6. Sustainability must be achieved by ensuring that:
 - 3.6.1. cash inflows cover cash outflows, which means that sufficient provision for working capital or bad debts must be made; and
 - 3.6.2. access to the capital market is maintained by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- 3.7. Provision must be made in appropriate circumstances for asurcharge on a tariff if and when necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required;
 - 3.7.1. Efficient and effective use of resources must be encouraged by providing for penalties to prevent exorbitant use;

- 3.7.2. The extent of subsidization of tariffs must be disclosed by publishing the true costs of the service and the level of subsidy as well as the source of the subsidy.

4. Categories of users

The tariff structure of the City of Matlosana must make provision for the following categories of users:

- 4.1. agricultural;
- 4.2. business/commercial;
- 4.3. domestic indigent
- 4.4. domestic;
- 4.5. industrial;
- 4.6. institutional / government
- 4.7. rural;

5. Classification of services and cost elements

5.1. Classification of services

Provision for the following classification of services must be made:

5.1.1. Trading services

- 5.1.1.1. Electricity
- 5.1.1.2. Matlosana Fresh Produce Market
- 5.1.1.3. Water

5.1.2. Economic services

- 5.1.2.1. Refuse removal
- 5.1.2.2. Sewerage Disposal
- 5.1.2.3. Recreation Resorts

5.1.3. Community services

- 5.1.3.1. Air pollution
- 5.1.3.2. Building control
- 5.1.3.3. Cemeteries
- 5.1.3.4. Child care facilities
- 5.1.3.5. Control of public nuisances

- 5.1.3.6. Control of undertakings that sell liquor to the public
- 5.1.3.7. Facilities for accommodation, care and burial of animals
- 5.1.3.8. Fencing and fences
- 5.1.3.9. Firefighting services
- 5.1.3.10. Fixed billboards and the display of advertisements in public places
- 5.1.3.11. Licensing and control of undertakings that sell food to the public
- 5.1.3.12. Licensing of dogs
- 5.1.3.13. Local amenities
- 5.1.3.14. Local sport facilities
- 5.1.3.15. Local tourism
- 5.1.3.16. Local Economic Development
- 5.1.3.17. Municipal parks and recreation
- 5.1.3.18. Municipal planning
- 5.1.3.19. Municipal public works, only in respect of the needs of the municipality in the discharge of its responsibilities and to administer functions specially assigned to it under the Constitution or any other law
- 5.1.3.20. Municipal roads
- 5.1.3.21. Noise pollution
- 5.1.3.22. Parking
- 5.1.3.23. Pest Control
- 5.1.3.24. Pounds
- 5.1.3.25. Public places
- 5.1.3.26. Storm-water management system in built-up areas
- 5.1.3.27. Street trading/street lighting
- 5.1.3.28. Trading regulations
- 5.1.3.29. Traffic
- 5.1.3.30. Tax Clearances Certificates / Valuation Certificates
- 5.1.3.31. Copy of Valuation Roll
- 5.1.3.32. Confirmation of Residential letters
- 5.1.3.33. Duplicate rates and services accounts

5.1.4. Subsidized services

- 5.1.4.1. Libraries
- 5.1.4.2. Primary Health Care
- 5.1.4.3. Proclaimed Roads

5.2. Cost elements

The following cost elements must be used to calculate the tariffs of the different services:

5.2.1. Fixed costs, which consist of the capital costs, interest on external loans as well as depreciation, whichever are applicable on the service and any other costs of a permanent nature as determined by the Chief Financial Officer from time to time.

5.2.2. Variable cost: This includes all other variable costs that have reference to the service.

5.2.3. Total cost is equal to the fixed cost plus variable cost.

6. Deposits

The raising of deposits is permissible where certain levies are made and payable with an application for relevant service:

6.1. Electricity and Water: Twice the average monthly consumption of the last 3 months with a minimum as determined annually according to the tariff schedule or as instructed by the Municipal Manager.

6.2. Deposits will be levied on all service accounts of properties.

6.3. Deposits will automatically be levied on accounts that have been transferred by means of change of ownership by the Deeds Office, the proof of registration documentation will a copy of the deeds search

7. Tariff types

7.1. In setting service charges the Council must:

- 7.1.1. accurately reflect costs to achieve economic efficiency;
 - 7.1.2. ensure equity and fairness between different types and categories of consumers
 - 7.1.3. utilize appropriate metering and supporting technology;
 - And
 - 7.1.4. be transparent.
- 7.2. In determining the type of tariff applicable to the type of service the Council must make use of the following options or a combination thereof:
- 7.2.1. Single tariff: This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of break-even consumption. Surpluses on trading services may be allowed subject to Council approval.
 - 7.2.2. Cost related two-part tariff: This tariff shall consist of two parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed.
 - 7.2.3. Inclining block tariff: This tariff is based on consumption levels being categorized into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.
 - 7.2.4. Declining block tariff: This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This

tariff will only be implemented during the existence of special agreements.

7.2.5. **Basic / Availability charges:** Shall be levied for each month for each erf, stand plot or other area, with or without improvements, which is or, in the opinion of Council can be connected to the supply main, whether electricity and water is consumed or not. Basic /Availability charges levied are payable by the registered owner of the erf, stand, lot or other area: provided that where property of the Council is leased or the registered owner cannot be identified such basic charges shall be payable by the lessee of the particular property.

7.2.6. **Outside Municipal Area:** These tariffs shall apply to consumers who are not residing within the municipal boundaries but are making use, on application, of certain services.

7.2.7. **Recoverable work:** These tariffs shall apply to consumers who are making use, on application, of certain recoverable services. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

8. Rebates

Rebates are allowed in accordance with the tariff schedule as determined by the Council annually.

9. Unit of measurement

The following units of measurement must, where possible, be used to determine tariffs:

9.1. Water

9.1.1. Water will be measured with a water meter, which meters will be read and consumption and be levied on a monthly basis unless the service is rendered through a pre-payment device:

9.1.1.1. Cost per unit (kiloliters consumed).

9.1.1.2. Basic cost plus cost per unit charge (kilolitres consumed)

9.1.2. boreholes will only be recognized as a water supply with a written letter of recommendation from the Water Section

9.1.3 Water leakages subject to the rebate system

9.1.3.1. Rebates will be granted for repaired undetected water leakages for a period not exceeding three months.

9.1.3.2. That it be accepted as policy that in cases of undetected water leakages on private property, the consumer pay for the normal water consumption as calculated by using the average consumption for three months prior to the leak, at the applicable sliding scale and that the "over-consumption" or "leak" to be paid at a fixed charge, based on the second category of the sliding scale of the water tariffs for the months in question, or at the tariff as calculated by the Chief Financial Officer at the time, subject to the provision of proof by the resident regarding:

9.1.3.2.1. 1. The date on which the leak was first detected.

9.1.3.2.1.1. Rebates may not exceed three times a year

9.1.3.2.1.2. Steps taken by the resident to stop the leak

9.1.3.2.1.3. That the leak has actually stopped – investigation and confirmation by the council's official.

9.1.3.3. Any damaged meters will be debited to the consumers account, should it be found that it was intentionally damaged by the owner or any other person

9.2. Electricity

Electricity will be measured with an electricity meter, which meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

- 9.2.1. Maximum demand plus kWh consumed; or
- 9.2.2. Fixed (Basic) costs plus kWh consumed; or
- 9.2.3. Cost per unit KWH consumed; or
- 9.2.4. KVA

9.3. Refuse removal

The amount may be raised monthly. The levy is payable by the registered owner except for businesses with tenants and recoverable monthly:

- 9.3.1. Plastic bags per week/day (volume).
- 9.3.2. Containers per week (volume).
- 9.3.3. Truck load per volume or removal.

9.4. Sewerage

The amount may be raised monthly. The levy is calculated by one of the methods below and is payable by the registered owner and recoverable monthly:

- 9.4.1. Percentage of water consumption.
- 9.4.2. Percentage of water consumption plus costs for strength of disposal.
- 9.4.3. Basic charge: based on the number of properties within those categories of customers and fixed cost associated with the service.
- 9.4.4. Additional charge:
 - 9.4.4.1. based on the area and variable costs of the services.

9.4.4.2. based on the number of properties within those categories of customers and variable costs of the service.

9.4.5. When the number of properties is not available, a flat rate, based on the average consumption per categories of consumers, will be applicable.

9.5. Property Rates

9.5.1. Property rates is calculated taking into account the total net expenditure from the other services less the revenue envisaged based on the total rateable valuations. The rates must be calculated in such a manner that the Council realizes a net surplus when adopting its tariffs.

9.5.2. Property rates are calculated according to valuation of a property. Council calculates the tariff on the market value as per Council valuation. On written request the amount may be raised monthly. The levy is payable by the registered owner and recoverable monthly.

9.6. Social benefits

9.6.1. The Council, in order to measure social benefits enjoyed by the community, has approved of the standards as set out in the tables below to achieve cost recovery and to measure service delivery, where possible.

9.6.2. Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

10. FUNCTION / UNIT OR OUTPUT CLASSIFICATION BY COUNCIL

- Airfields - Number of landings Subsidized
- Art Gallery and Museum
- Number of attendance of community
- Engineering
- Administration
- Population
- Percentage of Municipal expenditure
- Community
- Building Section - Number of plans submitted
- Value of buildings
- Municipal value of buildings subsidized
- Caravan Park Number of bookings
- Number of sites subsidized
- Cemeteries Number of burials
- Number of graves subsidized
- Civic and other halls
- Number of bookings subsidized
- Cleansing, refuse removal and disposal
- Number of removals
- Population
- Number of properties
- Economic
- Corporate Services Population
- Percentage of total expenditure
- Community (Charged out)
- Council General Population
- Percentage of total expenditure
- Community (Charged out)
- Electricity Number of units purchased
- Number of units sold
- Number of connections

- Trading
- Estates Number of properties economic
- Financial Services Percentage of municipal expenditure
- Population
- Community (Charged out)
- Fire Number of call-outs
- Number of properties subsidized
- Grant-in-aid Percentage of rates income Community Health
 - Clinics
 - Other
- Number of attendance
- Population
- Subsidized housing
- Housing (Selling and letting schemes)
- Number of dwellings economic
- Libraries - Number of members
- Number of books in stock
- Population
- Community
- Licensing - Number of licenses subsidized
- Marketing - Number of industrial properties
- Number of industries
- Community
- Municipal Manager - Percentage of municipal expenditure
- Population
- Community (Charged out)
- Parking Number of bays Community Parks and Recreation Number of properties
- Population
- Community
- Administration
- Number of municipal staff

- Population
- Community (Charged out)
- Recreation resorts Number of users
- Population
- Economic
- Roads and Storm water (including sidewalks)
- Length of roads
- Population
- Community
- Security and Civil Defense
- Number of installations Community Sewerage reticulation (Disposal)
- Number of connections
- Sewerage purified
- Population
- Economic
- Street lighting - Number of street lighting community
- Swimming pools - Number of attendance
- Population
- Subsidized
- Stores Number of stock items held
- Value of stock
- Number of orders
- Economic (fully charged out)
- Town Planning - Number of properties
- Population
- Community
- Traffic - Number of registered vehicles
- Population
- Subsidized
- Valuations - Number of properties
- Value of municipal valuations
- Community

- Water - Number of units sold
- Cost per unit supplied
- Length of mains
- Kilolitres purified
- Cost per kilolitre purified
- Trading

11. Billing of estimated consumptions

11.1. The need to estimate consumption and the basis thereof

Notwithstanding all the City of Matlosana's attempts to take monthly meter readings of all water / electricity supplied, should it not be possible to take a reading on the appropriate date or if for some any other reason the reading could not be obtained, the City of Matlosana reserves the right to calculate an estimated consumption from the previous actual reading to the billing date. The estimates are normally based on the 3 to 6 months preceding the last date on which the meter was found to be registering correctly, or on the 3 to 6 months following the date from which the meter was again registering correctly. The seasonal historical average consumption at the property may also be used by the City of Matlosana to reflect its best estimate of what the consumption may have been.

11.2. Adjustment to estimated account

As soon as a new actual reading has been taken; the previously estimated consumption will be recalculated and an adjustment, either positive or negative, will reflect on the next account issued.

11.3. Failure of meter

During the period from identification of a meter having ceased reading, to when it is replaced and a reading can be taken, an estimated consumption will be applied.

Should a consumer have been billed a zero consumption for any period of time and it is subsequently found to have been due to a ceased water/electricity meter and the property was not vacant at the time or the usage pattern had not changed, the City shall bill retrospectively from the time that the meter had ceased until the time it has been replaced. Should the property have been vacant or where the usage pattern had changed, a signed and sworn affidavit needs to be provided for consideration.

11.4. No account received

In the event that an owner or occupier has consumed water or electricity but has never received an account, the onus will be on the owner to make representations to the City of Matlosana to request that an account be sent. Should the City of Matlosana not be able to verify that an account was indeed issued to either the owner or occupier, the City may bill for a period of not greater than three years and the consumer may make arrangements with the City of Matlosana to pay off the amount. Any person, who has stopped receiving an account that has previously been received, should immediately request the City of Matlosana in writing to remedy the omission.

12. VAT

- 12.1. VAT at a standard rate is charged as per the existing national legislation on all tariffs and all sundry tariffs as indicated in the approved resolution.
- 12.2. VAT on property rates is charged at a zero rate

13. Determination, notice of tariffs, fees, levies, and objections

The Council may:

- 13.1. by resolution, supported by a majority of the members of the council, levy and recover levies, fees, taxes and tariffs, in respect of any function or service of the municipality;

- 13.2. date, not earlier than 30 days from date of the resolution, on which such determination, amendment or withdrawal shall come into operation; and recover any charges so determined or amended, including interest on any outstanding amount;
- 13.3. In the event the City of Matlosana has identified that the basic fees or any service related charges were not charged where they should have been charged, the charges will be raised for the period not exceeding 24 months.
- 13.4. After a resolution as contemplated in subsection (2) has been passed, the municipal manager of the municipality shall forthwith cause to be conspicuously displayed, at a place installed for this purpose at the offices of the municipality, as well as at such other places within the area of jurisdiction of the municipality as may be determined by the municipal manager, a notice stating—
 - 13.4.1. the general purpose of the resolution;
 - 13.4.2. the date on which the determination or amendment shall come into operation;
 - 13.4.3. the date on which the notice is first displayed; and
 - 13.4.4. that any person who desires to object to such determination or amendment shall do so in writing within 14 days after the date on which the notice is first displayed.
- 13.5. Where—
 - 13.5.1. no objection is lodged within the period referred to in subsection (4) (d) the determination or amendment shall come into operation as contemplated in subsection
 - 13.5.2. an objection is lodged within the period referred to in subsection 13.4.4., the municipality shall consider every objection and may amend or withdraw the determination or amendment and may determine a date other than the date contemplated in subsection (2) on which the determination or amendment shall come into operation, where upon subsection 13.4.2. shall with the necessary changes apply.

14. *Phasing in of tariffs, fees and levies*

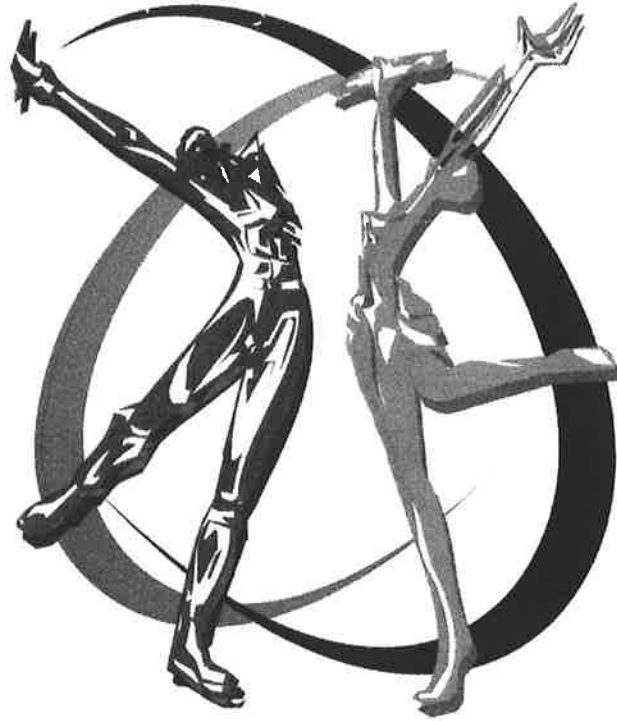
- 14.1. The council must annually consider the methods by which tariffs, fees and levies will be calculated and by resolution amend its tariff policy.
- 14.2. Where the newly calculated tariffs, fees and levies differ substantially from the current tariffs, council may resolve to phase in the differences over a period of time.

15. *Conflict of law*

- 15.1. When interpreting any provision of this policy, any interpretation that is reasonable and consistent with the objectives of the Local Government Municipal Systems Act as amended as set out in Chapter 8, Part 1, on service tariffs, must be preferred over any alternative interpretation, which is inconsistent with these objectives.
- 15.2. If there is any conflict between this policy and any other policy of the Council relating to tariffs, this policy shall prevail.

15. *Short title and commencement*

This policy is called the City of Matlosana Tariff Policy and shall come into operation on the date of adoption by Council with the approval of the annual budget for 2019/2020



CITY OF MATLOSANA

**MUNICIPAL PROPERTY
RATES POLICY
2019/2020**

PREAMBLE

1. **WHEREAS** the Constitution of the Republic of South Africa, 1996, and the Local Government: Municipal Property Rates Act, Act 6 of 2004, as amended by the provisions of the Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014 (hereinafter referred to as "the MPRA"), empowers the City of Matlosana (hereinafter referred to as "the Municipality") to impose rates on property
2. **AND WHEREAS** in terms of section 4(1)(c) of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended (hereinafter referred to as "the Systems Act"), the Municipality may, *inter alia*, levy rates on property to finance the operational expenditure of the Municipality
3. **AND WHEREAS** in terms of section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 as amended (hereinafter referred to as "the MFMA"), the Municipal Manager of the Municipality appointed in terms of section 82 of the Local Government: Municipal Structures Act, Act 117 of 1998 (hereinafter referred to as "the Structures Act"), must, in his capacity as the accounting officer of the Municipality, ensure that the Municipality has and implements a municipal property rates policy
4. **AND WHEREAS** the Municipality:
 - 4.1. Must, in terms of section 3(1) of the MPRA, adopt a policy consistent with the MPRA on the levying of rates on rateable property within the municipal area of the Municipality
 - 4.2. Must, in terms of section 6(1) of the MPRA, adopt by-laws to give effect to the implementation of its rates policy
 - 4.3. Must, in terms of section 5(1) of the MPRA, annually review, and may, if necessary, amend this policy. Proposals for reviewing this policy must be considered by the Municipality in conjunction with its annual operating budget
 - 4.4. May, in terms of section 22 of the MPRA, levy an additional rate on property in a special rating area and, in doing so, may differentiate between different categories of property
5. **NOW THEREFORE**, this policy has been drafted in compliance with the provisions of sections 3(1) and 6(1) of the MPRA, and must be read within the context of the MPRA, and in as far as required, supplemented and amplified by the MPRA.

THE CITY OF MATLOSANA

MUNICIPAL PROPERTY RATES POLICY

TABLE OF CONTENTS

CHAPTER 1

INTRODUCTORY PROVISIONS

ITEM NO.	ITEM	PAGE NO.
1.	DEFINITIONS	6
2.	AIM AND PURPOSE	13
3.	TITLE AND APPLICATION	14
4.	COMMENCEMENT AND VALIDITY	14
5.	RESPONSIBLE AUTHORITY	15

CHAPTER 2

RATING PRINCIPLES AND CATEGORIES OF PROPERTY

6.	OPERATIONAL BACKGROUND AND PRINCIPLES	16
7.	ANNUAL OPERATING BUDGET	17
8.	CATEGORIES OF PROPERTY FOR LEVYING OF DIFFERENTIAL RATES	19

CHAPTER 3

DIFFERENTIAL RATING, EXEMPTIONS, REDUCTIONS AND REBATES

9.	DIFFERENTIAL RATING	27
10.	CATEGORIES OF PROPERTY OWNERS FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES AND THE CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES	28
11.	COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY	35

CHAPTER 4

GENERAL PROVISIONS

12.	SPECIAL RATING AREAS	38
13.	RATE INCREASES	40
14.	NOTIFICATION OF RATES	41

15.	PAYMENT OF RATES	42
16.	PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES	43
17.	ACCOUNTS TO BE FURNISHED	44
18.	FREQUENCY OF VALUATION	45
19.	COMMUNITY PARTICIPATION	45
20.	REGISTER OF PROPERTY	45
21.	CERTIFICATE OF OCCUPANCY	45
22.	ILLEGAL USE OF PROPERTY	46
23.	INSPECTION OF AND OBJECTIONS TO ENTRIES INTO THE VALUATION ROLL OF THE MUNICIPALITY	46
24.	BY-LAWS TO GIVE EFFECT TO RATES POLICY	47
25.	POLICY REVIEW	47

SCHEDULES

SCHEDULE "A"	REBATE ON RATES
SCHEDULE "B"	APPLICATION TO BE RATED AS AGRICULTURAL/FARMING PROPERTY USED FOR AGRICULTURAL/FARMING PURPOSES
SCHEDULE "C"	APPLICATION FOR A PENSIONER'S AND/OR DISABLE PERSON'S PROPERTY RATES REBATE

CHAPTER 1

INTRODUCTORY PROVISIONS

1. DEFINITIONS

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MPRA will have the meaning assigned thereto by the said act. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
"A"		
1.1	"Account"	Means the account furnished to an owner by the Municipality once the owner becomes liable for the payment of rates and which reflects the amount due to the Municipality by such owner in respect of the rates, and depending on the context may also refer to an "account" as defined in terms of the provisions of the Customer Care, Credit Control & Debt Collection Policy and Tariff and Municipal Property Rates By-Laws of the Municipality.
1.2	"Agent"	In relation to property, means a person appointed by the owner of such property: (a) to receive rental or other payments in respect of the property on behalf of the owner; (b) to make payments in respect of the property on behalf of the owner.
1.3	"Agricultural / farming property"	Means property, which is used for agricultural and/or farming purposes, but excludes any portion thereof that is used commercially for the hospitality of guests and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game.
"C"		
1.4	Category	1.4.1. In relation to property, means a category of properties determined in terms of section 8; 1.4.2. in relation to owners of properties, means a category of owners determined in terms of section 15 (2);

1.5	"Certificate of occupancy"	Means the certificate of occupancy issued by the Municipality in terms of the provisions of section 14 of the National Building Regulations and Building Standards Act, Act 103 of 1977.
1.6	"Consent use"	Means the purpose for which land may lawfully be used and on which buildings may be erected and used only with the consent of the Municipality.
1.7	"Council"	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.
1.8	"Current monthly rates"	Means the rate levied on a property in the month immediately preceding the month in which application for a rebate has been made, where such application is required in terms of this policy, and in all other events, the month preceding the month in which the rebate will come into operation.
"D"		
1.9	Date of valuation	Means the date determined by City of Matlosana in terms of Sect 31 (1)
"E"		
1.10	"Exemption"	In relation to the payment of a rate, means an exemption granted by the Municipality in terms of the provisions of section 15 of the MPRA.
"F"		
1.11	"financial year"	Means the period commencing on the 1 st day of July in any calendar year and ending on the 30 th day of June of the following calendar year.
"G"		
1.12	Government or State owned property	In so far as, it relates to property owned and used by the State, means property owned and used by the National Government and North West Provincial Government for the provision of community type services, including but not limited to police stations, hospitals. All other property owned and utilised by the State will be classified in accordance with its zoning i.e. business for offices, residential for housing schemes etc.
"I"		
1.13	"Income Tax Act"	Means the Income Tax Act, Act 58 of 1962 as amended.
"M"		

1.14	"MFMA"	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 as amended.
1.15	"MPRA"	Means the Local Government: Municipal Property Rates Act, Act 6 of 2004 2004 as amended by Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014.
1.16	"MPRA Rate Ratio Regulations"	Means the Municipal Property Rates Act: Regulations on the Rate Ratio between Residential and Non-Residential Properties promulgated in terms of the provisions of section 83 of the MPRA and published in GNR195 in GG 33016 of 12 March 2010.
1.17	"Municipality"	Means the CITY OF MATLOSANA (also referred to as the "COM"), a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act, read with the provisions of Chapter 7 of the Constitution of the Republic of South Africa and sections 12 and 14 of the Local Government: Municipal Structures Act, Act 117 of 1998, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at corner of Braam Fisher and Emily Hobhouse Streets, Klerksdorp, North West Province, and includes: 1.17.1. Its successor in title; or 1.17.2. A functionary exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act; or 1.17.3. An authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.
1.18	"Municipal property"	Means property owned by, vested in or under the control and management of the Municipality.
"N"		
1.19	"Non-residential property"	Means all properties (including all undeveloped properties) other than those defined as "residential property".
"O"		
1.20	"Owner"	Means: 1.20.1. In relation to immovable property registered in the name of a person including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person, means a

		<p>person in whose name ownership of the property is registered;</p> <p>1.20.2. In relation to a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property, means a person in whose name the right is registered;</p> <p>1.20.2.1. In relation to a time sharing interest contemplated in the Property Time-sharing Control Act, Act 75 of 1983, means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, and published in Government Notice R327 of 24 February 1984;</p> <p>1.20.2.2. In relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, Act 59 of 1980;</p> <p>1.20.3. In relation to buildings, other immovable structures and infrastructure referred to in section 17 (1) (f), means the holder of the mining right or the mining permit;</p> <p>1.20.3. In relation to a land tenure right registered in the name of a person or granted to a person in terms of legislation, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or</p> <p>1.20.4. In relation to public service infrastructure, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled",</p> <p>provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:</p> <p>1.20.4.1. A trustee, in the case of a property in a trust excluding state trust land;</p> <p>1.20.4.2. An executor or administrator, in the case of a property in a deceased estate;</p> <p>1.20.4.3. A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;</p> <p>1.20.4.4. A judicial manager, in the case of a property in the estate of a person under judicial management;</p>
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		<p>1.20.4.5. A curator, in the case of a property in the estate of a person under curatorship;</p> <p>1.20.4.6. A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;</p> <p>1.20.4.7. A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or A lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or</p> <p>1.20.4.8. A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.</p>
"P"		
1.21	"Public service infrastructure"	Means public service infrastructure as defined in the Municipal Property Rates Act, Act 6 of 2004 as amended.
"R"		
1.22	"Rateable property" and "property"	<p>Means property on which the Municipality may in terms of the provisions of Sections 1, 2 and 7 of the MPRA levy a rate, excluding property fully excluded from the levying of rates in terms of the provisions of Section 17 of the MPRA and including</p> <p>1.22.1. immovable property registered in the name of a person, including, in the case of a sectional title scheme, sectional title unit registered in the name of a person;</p> <p>1.22.2. A right registered against immovable property in the name of a person, excluding a mortgage bond registered against property;</p> <p>1.22.3. A land tenure right registered in the name of person of granted to a person in terms of legislation, or d) public service infrastructure.</p>
1.23	"Ratepayer"	Means any owner of rateable property as well as any owner of rateable property held under sectional title, situated within the municipal area of the Municipality.
1.24	"Rates"	Means a municipal rate on property levied in terms of section 229(1) (a) of the Constitution and section 2(1) of the MPRA.

1.25	"Rebate"	Means a discount granted in terms of the provisions of section 15 of the MPRA on the amount of the rate payable on the property.
1.26	"Reduction"	Means the lowering in terms of the provisions of section 15 of the MPRA of the amount for which the property was valued and the rating at that lower amount.
1.27	"Registered Indigent"	Means a person who has applied to the Municipality in terms of the Indigent Policy of the Municipality to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent on the Indigent Relief Register, as contemplated in terms of the Indigent Policy of the Municipality
1.28	"Residential property"	<p>Means property which is:</p> <p>1.28.1. Used exclusively for residential purposes, with not more than 2 (two) dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or</p> <p>1.28.2. A unit registered in terms of the Sectional Titles Act, used exclusively for residential purposes, and includes any unit in the same sectional title scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or</p> <p>1.28.3 Owned by a share-block company and used predominantly (60% or more) for residential purposes; or</p> <p>1.28.4. A retirement scheme or life right scheme used predominantly (60% or more) for residential purposes; or</p> <p>1.28.5. A residence used for residential purposes situated on property used for or related to educational purposes;</p> <p>1.28.6. Vacant Residential Property;</p>

		However, excludes hostels, old age homes, guesthouses and any vacant land, not zoned as "residential", irrespective of its zoning or intended usage.
"S"		
1.29	"school"	Means a school as defined in terms of the South African Schools Act, Act 84 of 1996 as amended and includes both a public school or an independent school that enrolls learners in one or more grades from grade R (Reception) to grade twelve and a public school.
1.30	"Sectional Titles Act"	Means the Sectional Titles Act, Act 95 of 1986 as amended.
1.31	"Structures Act"	Means the Local Government: Municipal Structures Act, Act 117 of 1998 as amended.
1.32	"Systems Act"	Means the Local Government: Municipal Systems Act, Act 32 of 2000 as amended.
"T"		
1.33	"technical and other colleges"	Means a public college and a private college as contemplated in the Further Education and Training Colleges Act, Act 16 of 2006.
1.34	"the/this policy"	Means the Municipal Property Rates Policy of the Municipality as adopted by the Municipality in terms of the provisions of section 3(1) of the MPRA.
1.35	"threshold"	Means the amount, determined from time to time by the Municipality during its annual budget process referred to in section 12(2) of the MPRA, to be deducted from the market value of residential properties, resulting in rates to be determined on the balance of the market value of such properties only.
"V"		
1.36	"vacant land"	Means a property without any improvements thereto excluding Agricultural land
1.37	"valuation roll"	Means a valuation roll prepared in terms of the provisions of section 30 of the MPRA or a supplementary valuation roll prepared in terms of the provisions of section 78 of the MPRA.
"Z"		
1.38.	"zero rated"	Means the Value Added Tax Rate at which property rates are levied
1.39	"zoning"	Means the purpose for which land may lawfully be used or on which buildings may be erected or used, or both, as contained in the applicable Land Use Management Scheme, or any revision or amendment thereof, and

		<p>“zoned” has a corresponding meaning, provided that where a property carries multiple zoning rights, the categorisation of such property will be in accordance with the highest rating category.</p>
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2. AIM AND PURPOSE

- 2.1. This policy constitutes the policy as contemplated in terms of the provisions of section 3(1) of the MPRA and the aim and purpose of this policy is as set out in the provisions of section 3(3) of the MPRA.
- 2.2. The aim of this policy is to:
- 2.2.1. Ensure that all owners of rateable property are informed about their liability for rates;
 - 2.2.2. Specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates as contemplated in terms of the provisions of section 15 of the MPRA;
 - 2.2.3. Empower the Municipality to specify a threshold at which rating in respect of residential properties may commence as provided for in terms of the provisions of section 15(1)(a) of the MPRA, which it is authorised to do;
 - 2.2.4. Set out the criteria to be applied by the Municipality when it:
 - 2.2.4.1. Increase or decreases rates
 - 2.2.4.2. Levies differential rates on different categories of property;
 - 2.2.5. Provide for categories of public benefit organisations, approved in terms of the provisions of section 30(1) of the Income Tax Act, Act 58 of 1962 (hereinafter referred to as "the Income Tax Act"), which are ratepayers, and who may apply to the Municipality for relief from rates;
 - 2.2.6. Recognise the State, organs of state and the owners of public service infrastructure as property owners;
 - 2.2.7. Encourage the development of property;
 - 2.2.8. Ensure that all persons liable for rates are treated equitably as required by the MPRA; and
 - 2.2.9. Provide that any rebate is to benefit the owner in occupation of the property.

3. TITLE AND APPLICATION

- 3.1. This policy is known as the Municipal Property Rates Policy of the City of Matlosana.
- 3.2. This policy revokes all previous policies, decisions and/or *ad hoc* clauses within any other policy, regarding the subject matter of this policy.

4. COMMENCEMENT AND VALIDITY

This policy shall come into force and effect on the first implementation of the general valuation roll to be prepared by the Municipality in terms of the provisions of section 30, read with section 31 of the MPRA. This policy shall form part of the Municipality's budget related policies when such budget is tabled in the Council of the Municipality in terms of the provisions of section 16(2) of the MFMA for approval, in order to allow for the Council of the Municipality to consider and approve this policy in terms of the provisions of section 24(1) of the MFMA. Once this policy is approved by the Council, the general valuation roll to be compiled by the Municipality will be compiled taking account of the principles and provisions of this policy in as far as *inter alia* the different categories of properties and special rating areas are concerned.

5. RESPONSIBLE AUTHORITY

The responsible authority for the adoption, publication and implementation of this policy is the Municipality, and where applicable the Council of the Municipality.

CHAPTER 2

RATING PRINCIPLES AND CATEGORIES OF PROPERTY

6. OPERATIONAL BACKGROUND AND PRINCIPLES

- 6.1. This policy has been prepared to ensure equitable treatment by the Municipality in the levying of rates on property owners, including owners under sectional title as contemplated in terms of the Sectional Titles Act, as well as any other person who may become liable for the payment of rates based on the guiding principles of equity, affordability, poverty alleviation, social and economic development, financial sustainability and cost efficiency.
- 6.2. This policy must be read in conjunction with the provisions of the Land Use Management Scheme and the Town Planning and Townships Ordinance 15 of 1986, and any other applicable legislation, including, but not limited to, the MFMA, the Systems Act, and any legislation that replaces any of the aforementioned acts or ordinance.
- 6.3. The Municipality is required by the terms of section 16(1) of the MFMA, read with section 24(1) of the MFMA, to approve an annual operating budget prior to the commencement of every financial year. The income from rates must be used to finance in full or in part, the annual operating expenditure of the Municipality as reflected in such budget.
- 6.4. As provided in the MPRA, the Municipality has elected to differentiate between various categories of property and property owners. Some categories of property and categories of owners are granted relief from rates. The Municipality does, however, not grant relief from rates in respect of payments for rates to any category of owners or properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.
- 6.5. Rates are levied in accordance with the provisions of the MPRA as a cent-in-the-rand based on the property value determined for a property as contained in the valuation roll and supplementary valuation roll.

7. ANNUAL OPERATING BUDGET

- 7.1. Rates and rate ratios shall be levied and established as part of the approved annual budget of the Municipality and shall remain valid and in force and effect until amended, changed or varied by the Council.
- 7.2. In terms of the provisions of section 28(6) of the MFMA a municipal tax may not be increased during a financial year, except when required in terms of a financial recovery plan.
- 7.3. The Municipality must consider the levying of rates annually during the budget process as contemplated in section 12(2) of the MPRA.
- 7.4. Rate increases must be used to finance the increase in operating costs of the municipal services and facilities of the Municipality.
- 7.5. In determining the level of increases or decreases in rates, the criteria to be applied may include the following:
 - 7.5.1. The inflation rate as indicated by the consumer price index, excluding mortgage bonds;
 - 7.5.2. The financing of increased operating expenditure in the budget of the Municipality;
 - 7.5.3. The financing of additional maintenance expenditure included in the operating budget of the Municipality;
 - 7.5.4. The financing of additional depreciation charges included in the operating budget of the Municipality;
 - 7.5.5. The additional cost of servicing debt included in the operating budget of the Municipality;
 - 7.5.6. The augmentation of any revenue shortfall;
 - 7.5.7. The financing from the annual operating budget of expenditure related to anything the Municipality is lawfully empowered to do for which provision has to be made in the budget;
 - 7.5.8. The taking into consideration of the medium term budget growth factors as determined by National Treasury;

- 7.5.8.1. The valuation roll; and
- 7.5.8.2. Any other relevant factor.

7.6. Also in determining the level of increases or decreases in rates and in order to assist the Municipality in dealing with the criteria as set out above, the Municipality will refer to the following classifications:

7.6.1. Services:

- 7.6.1.1. Trading services (as referred to in the Tariff Policy);
- 7.6.1.2. Non-trading services (as referred to in the Tariff Policy).

7.6.2. Expenditure:

- 7.6.2.1. Salaries, wages and allowances;
- 7.6.2.2. Bulk purchases;
- 7.6.2.3. General expenditure;
- 7.6.2.4. Repairs and maintenance;
- 7.6.2.5. Capital charges;
- 7.6.2.6. Contribution to fixed assets;
- 7.6.2.7. Contribution to funds;
 - 7.6.2.7.1. Impaired debts;
 - 7.6.2.7.2. Working capital; and
 - 7.6.2.7.3. Statutory funds;
- 7.6.2.8. Contribution to reserves;
- 7.6.2.9. Gross expenditure (7.6.2.1 to 7.6.2.8.);
- 7.6.2.10. Less charge-out (inter-departmental charge-outs);
- 7.6.2.11. Nett expenditure (7.6.2.1.) less (7.6.2.8.);
- 7.6.2.12. Income; and
- 7.6.2.13. Surplus/deficit [difference between (xi) and (xii)].

7.6.3. Cost centres (to which the costs associated with rendering the service can be allocated):

- 7.6.3.1. By department;
- 7.6.3.2. By section/service; and

7.6.3.3. By division/service.

- 7.7. Differential rates may be levied in terms of the provisions of section 8 of the MPRA according to the permitted use or, where applicable, the actual use of the property concerned.
- 7.8. In addition to the criteria specified above, the following criteria may be taken into account in determining whether a differential rate should be applied:
- 7.8.1. The need to promote economic development;
 - 7.8.2. Any administrative advantages in applying a differential rate; and
 - 7.8.3. The need to alleviate the rates burden on the owners of any particular category of property specified in this policy.
- 7.9. Rates are levied in accordance with the MPRA as an amount in the Rand based on the market value of all rateable property as reflected in the valuation roll and any supplementary valuation roll, as contemplated in terms of Chapters 6 and 8 of the MPRA, respectively.
- 7.10. The rate levied by the Municipality on a residential property with a market value below a prescribed valuation level may, instead of a rate determined as set out in the afore stated paragraph, be a uniform fixed amount per property.

8. CATEGORIES OF PROPERTY FOR LEVYING OF DIFFERENTIAL RATES

- 8.1. The Municipality may levy different rates for different categories of rateable property provided that, the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property, public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.
- 8.2. All rateable property will be classified within a specific category and will be rated upon the said classification, which will be in accordance with the actual use thereof, unless otherwise stated in this policy.

8.3. For purposes of levying different rates based on the permitted use of properties in terms of the provisions of section 8(1) (b) of the MPRA, read with sections 3(3) (b) and 3(3) (c) of the MPRA, the following categories of property are determined, as well as the main criteria to be used in order to determine the category of the property:

8.3.1. **Residential property:**

Means property that is:

8.3.1.1 Used exclusively for residential purposes, with not more than 2 (two) dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or

8.3.1.2. A unit registered in terms of the **Sectional Titles Act**, used exclusively for residential purposes, and includes any unit in the same sectional title scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or

8.3.1.3. Owned by a share-block company and used predominantly (60% or more) for residential purposes; or

8.3.1.4. A retirement scheme or life right scheme used predominantly (60% or more) for residential purposes; or

8.3.1.5. A residence used for residential purposes situated on property used for or related to educational purposes;

8.3.1.6. Vacant Residential Property;

However, excludes hostels, old age homes, guesthouses and any vacant land, not zoned as "residential", irrespective of its zoning or intended usage.

8.3.2. **Business and commercial property:**

Refers to property on which the activity of buying, selling or trading in goods and/or services occurs, but excludes a property that forms part of the multi-purpose category, as referred to in sub-paragraph (3)(k) below. It includes any office or other accommodation on the same property, the

use of which is incidental to the business, but excludes the business of mining. It further includes (and may include such sub-categories for) hotels, early development centres, private schools, private clinics, hospitals, guesthouses, bed and breakfast establishments and any vacant land which is being used for storage or parking in line with the zoning of such property and may also include a sub-category for vacant land zoned for business or commercial purposes in terms of the Land Use Management Scheme.

8.3.3. Industrial property:

Refers to property on which a trade or manufacturing, production assembling or the processing of finished or partially finished products from raw materials or fabricated parts occurs on such a large scale which involves significant capital and labour resources and may also include a sub-category for vacant land zoned for industrial purposes in terms of the Land Use Management Scheme.

8.3.4. Mining property:

Refers to property used for mining purposes or purposes incidental to mining operations as defined in the Mineral & Petroleum Resources Development Act, Act 28 of 2002, and including any building, other immovable structures and infrastructure above the surface required for purposes of mining and may also include a sub-category for vacant land zoned for mining purposes or purposes incidental to mining operations in terms of the Land Use Management Scheme, but excludes mining rights or a mining permit as defined in the Mineral & Petroleum Resources Development Act, Act 28 of 2002.

8.3.5. Public service infrastructure property:

Refers to property utilised to accommodate public infrastructure of the following kinds (sub categories):

- 8.3.5.1. National, provincial or municipal public roads;
- 8.3.5.2. Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water or sewage pumps forming part of a water, waste water or sewer network serving the public;
- 8.3.5.3. Power stations, power sub-stations or power lines forming part of an electricity network;
- 8.3.5.4. Railway lines forming part of a national railway network;

- 8.3.5.5. Communication towers, masts, exchanges or lines forming part of a communication network;
- 8.3.5.6. Runways or aprons at the municipal airport of the Municipality;
- 8.3.5.7. Any other publicly controlled infrastructure as may be prescribed;
- 8.3.5.8. Rights of way, easements or servitudes in connection with infrastructure mentioned in sub-paragraphs (3) (e) (i) to (3) (e) (viii) above; or
- 8.3.5.9. Public open spaces;

but with the exemption that the public service infrastructure property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of “public service infrastructure”, as contained in section 1 of the MPRA, may not be rated in terms of section 17(1) (a), to the extent set out in the sliding-scale contained in section 93(1) of the MPRA.

8.4. Municipal properties:

Refers to property owned by, vested in or under the control and management of the Municipality and will consist of the following 2 (two) sub-categories:

8.4.1. Municipal property: not rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are not rateable:

- 8.4.1.1. Public service infrastructure owned by the Municipality, including those referred to in sub-paragraph (3) (e) above;
- 8.4.1.2. Waste-dump sites;
- 8.4.1.3. Municipal burial grounds and adjacent public open space within the burial ground precinct;
- 8.4.1.4. Property used for the provision of public parks and zoned as public open space, and includes undeveloped municipal property that is for the purposes of this policy deemed to be public open space;
- 8.4.1.5. Property used for culture, sporting and recreational facilities other than property subject to a registered lease in terms of the Formalities in respect of Leases of Land Act, Act 18 of 1969, in which case the area subject to the lease shall be separately rated; and
- 8.4.1.6. Municipal housing schemes.

8.4.2. Municipal property: rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are rateable:

8.4.2.1. Property leased to third parties in terms of a lease registered in terms of the Formalities In Respect of Leases of Land Act, Act 18 of 1969. Where property owned by the Municipality is leased to a third party, the rating thereof shall be the prevailing rating applied to the principle property; and

8.4.2.2. Municipal property used for purposes other than those specified in sub-paragraph (f) (i) above.

8.5. Agricultural/farming property:

Property in this category is limited to agricultural/farming property zoned as agricultural/farming and used exclusively for agricultural purposes with the property owner deriving his principal source of income from the produce of the land on such property, but excludes any portion thereof that is used commercially for the hospitality of guests and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game. Agricultural/farming property not used for bona fide agricultural/farming purposes shall be rated according to the actual use thereof which include agricultural/farming property utilised commercially for the hospitality of guests, and/or eco-tourism or for the trading in or hunting of game. This category may be sub-categorised to provide for "Agricultural Residential", "Agricultural Business", "Agricultural Industrial", "Agricultural Game Farming", and may include a sub-category for vacant land zoned for agriculture or agricultural purposes in terms of the Land Use Management Scheme.

8.6. State-owned or organ of state-owned property (also referred to as "Government Property") and used for public service purposes:

8.6.1. Property owned by the state or an organ of state is rateable and will be categorised according to the zoning or use of the property; and

8.6.2. If property owned by the state or an organ of state is zoned or used for residential purposes, the rates must, after presentation of a certificate of occupancy, be levied in terms of the residential

tariff. The rebate afforded to state owned properties of organ of state owned properties does not apply to properties zoned or used for residential purposes as the rebate relating to residential properties already applies to such properties.

8.7. Smallholdings used for:

8.7.1. Exclusively used for agricultural/farming purposes:

Refers to a smallholding used predominantly (60% or more) for bona fide agricultural/farming purposes.

8.7.2. Residential purposes:

Refers to a smallholding used for residential purposes only.

8.7.3. Multiple Purposes use:

Refers to a smallholding used predominantly for residential purposes but has significant portions of the property devoted to purposes that fall within other categories of property, but excludes hostels, old age homes, guesthouses, bed and breakfast establishments, and any vacant land irrespective of its zoning or intended usage.

8.7.4. Industrial purposes:

Refers to a smallholding used for industrial purposes.

8.7.5. Business and commercial purposes:

Refers to a smallholding, which is used for business and or commercial purposes.

8.7.6. Any other purpose than those specified above:

Such smallholdings will be categorised in terms of any of the property categories referred to in this policy, which is in accordance with its predominant use.

8.8. Property used for Multiple Purposes:

Refers to a property which is used for more than one purpose and such property will be rated in accordance with the highest tariff applicable to the permitted use thereof.

8.9. Educational:

Refers to property owned by educational institutions which are registered with the South African Revenue Services, in terms of the provisions of section 30 of the Income Tax Act and which provide education and development services as contemplated in terms of Part 1, section 4 of the Ninth Schedule to that Act and may include sub categories such as "private school", "crèche", "early development centres".

8.10. Public benefit organisation property and used for specified public benefit activities:

Refers to property owned by a public benefit organisation and hospitality industries used for specified public benefit activities as listed in Part 1 of the Ninth Schedule to the Income Tax Act.

8.11. Property used for religious purposes:

Refers to property registered in the name of and used solely as a place of public worship, as defined in section 1 of MPRA, by a religious community, including an official residence, as defined in section 1 of the MPRA, registered in the name of such community which is occupied by an office-bearer of such community who officiates at services at that place of public worship.

8.12. Private Vacant land

Refers to a property without any improvements thereto except agricultural properties.

8.13. Private open space

Refers to parks in private developed towns.

8.14. Private roads

Refers to roads in private developed towns.

8.15. Guesthouses

Refers to properties exclusively being utilized for bed and breakfast purposes.

- 9.1. In determining the category of a property referred to in sub-paragraph (8.4.1.) above, the Municipality will take into consideration the following criteria, or a combination thereof:

- 9.1.1. The actual dominant use of the property concerned;
 - 9.1.2. Conditions for township establishment and land use rights pertaining to the property;
 - 9.1.3. The geographical area in which the property is situated;
 - 9.1.4. The nature and extent of the improvements on the property.

10. In order to ensure certainty and consistency in the application of the criteria mentioned in sub-paragraph (9) above, the Municipality will endeavour to apply the above criteria uniformly and in order of priority as follows:
 - 10.1. Properties must firstly be categorised in accordance with its permitted land use in terms of the Land Use Management Scheme;
 - 10.2. In addition to the land use of a property, the actual dominant use of a property may also be used to categorise, or to narrow or confirm the category of such property. An inspection of the property concerned may be undertaken in order to obtain such information;
 - 10.3. Where the dominant and permitted use of a property differ, the actual dominant use will supersede the permitted use and will be valued and rated according to the current usage; and
 - 10.4. The geographical area where a property is situated, as well as the nature and extent of any improvements made to such property, may also be considered to categorise the property.

11. Property that is used in conflict to its zoning will be rated at the tariff applicable to properties used for business and commercial purposes.

12. Any property not falling within the ambit of the categories referred to above, shall be deemed to be business and commercial for the purposes of levying a rate.

CHAPTER 3

DIFFERENTIAL RATING, EXEMPTIONS, REDUCTIONS AND REBATES

9. DIFFERENTIAL RATING

- 9.1. The Municipality will apply a differential rating system based on the different property categories set out in paragraph 8 above, by means of a set rate to be applied to each category of property, provided that the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property, public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.
- 9.2. The criteria for the implementation of the differential rating system on different categories of properties will be according to:
- 9.2.1. The nature and use of the property;
 - 9.2.2. The sensitivity to rating of the category of property;
 - 9.2.3. The extent of municipal services and infrastructure available to the property;
 - 9.2.4. The nature and extent of reductions and rebates applicable to the owners of the category of property;
 - 9.2.5. The promotion of social and economic development; and
 - 9.2.6. Whether the property is being used for the use permitted for the property by the provisions of the Land Use Management Scheme of the Municipality.

10. CATEGORIES OF PROPERTY OWNERS FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES AND THE CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES

For purposes of exemptions, reductions and rebates from the payment of a rate levied on the different categories of property as contemplated in terms of the provisions of section 15(1) of the MPRA, the following categories of property owners and the criteria to be

applied for the granting of exemptions, reductions and rebates to these categories of property owners are determined:

10.1. Exemptions:

The following properties are either exempted from paying rates, or the owners thereof may apply to the Municipality to be exempted from the paying of rates as indicated below:

10.1.1. An owner of residential property:

10.1.1.1. Low cost residential properties used for residential purposes are only fully exempted if the owner of such a property is a registered Indigent in terms of the Municipality's Indigent Policy receiving indigent support. This is an important part of the Indigent Policy of the Municipality that is aimed primarily at alleviating poverty;

10.1.1.2. All residential properties with a market value of less than the amount annually determined by the Municipality in the Tariff Policy are exempted from paying rates. The impermissible rates contemplated in terms of section 17(1) (h) of the MPRA are included in the amount referred to above as annually determined by the Municipality;

10.1.2.3. Owners of residential properties earning an income below certain thresholds as determined and as set out in the Tariff Schedule as referred to in the Tariff Policy and By-Law of the Municipality.

10.1.2. Property owned by the Municipality:

The Municipality is exempted from paying rates in respect of the property referred to in sub-paragraph 8(3) (f) (i) above.

10.1.3. Property owned by Public Benefit Organisations:

The following Public Benefit Organisations must produce the relevant proof from paying rates on property, provided a true and certified copy of a tax exemption certificate which has been issued by the South African Revenue Services as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act is submitted together with such application:

10.1.3.1. State or Organ of State owned Health Care Institutions:

State owned or Organ of State owned property used solely for health care institution purposes, provided that any and all profits from the use of such property are used entirely for the benefit of such health care institution.

10.1.3.2. Welfare Institutions:

Property used exclusively as an orphanage, non-profit retirement village, old age home or benevolent institution, including workshops used by the residents, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the Municipality.

10.1.3.3. Educational Institutions:

Property owned by a non-profit educational institution, registered as such in terms of the applicable legislation.

10.1.3.4. Charitable Institutions:

Property owned by a non-profit institution or organisation, which performs charitable work.

10.1.3.5. Sporting Bodies:

Property owned by an organisation which main purpose is to use such property for sporting purposes on a non-professional and non-profitable basis.

10.1.3.6. Cultural Institutions:

Property owned by an institution declared to be subject to the provisions of the Cultural Institutions Act, Act 119 of 1998.

10.1.3.7. Museums, Libraries, Art Galleries and Botanical Gardens:

Museums, Libraries, Art Galleries and/or Botanical Gardens, operated on a non-profit basis and open to the public.

10.1.3.8. Youth Development Organisations:

Property owned and used by an institution or organisation for the provision of youth leadership or a youth development programme on a non-profit basis.

10.1.3.9. Animal Welfare:

Property owned and used by an institution or organisation with the exclusive aim to protect birds, reptiles and/or animals on a non-profit basis.

10.1.4. Property used for Religious purposes:

A Property used for Religious purposes as referred to in sub-paragraph 8(3)(n) above, is exempted from the payment of rates as per the provisions of section 17(1)(i) of the MPRA.

10.1.5. Registered Indigents:

All Registered Indigents, registered in terms of the provisions of the Indigent Policy of the Municipality, shall be fully subsidised for the payment of property rates, as referred to in sub-paragraph (1)(a)(i) above as part of the indigent support such a person receives from the Municipality. The subsidy shall not be more than the applicable rate for that year, and will be applied for the duration of that particular financial year.

10.1.6. Property used for Public Service Purposes.

10.1.7. Properties to which the provisions of the National Heritage Resources Act, Act 25 of 1999, apply, or an institution that has been declared to be subject to the Cultural Institution Act, Act 119 of 1998.

10.2. An exemption from the payment of rates will only qualify to be considered for exemption by the Municipality subject to the following conditions:

- 10.2.1. On application, which application must be addressed in writing to the Municipality in the prescribed manner.
- 10.2.2. A true and certified copy of a tax exemption certificate issued by the South African Revenue Service must be submitted together with the application;
- 10.2.3. The Municipal Manager or the person to whom the authority to approve an application for an exemption has been delegated, must consider and approve or dismiss the application;
- 10.2.4. In considering the application for an exemption the Municipality may request any such further and/or additional information and/or documentation, as it deems necessary in order to consider such application;
- 10.2.5. The Municipality reserves the right to refuse any exemption if the details provided in the application are incomplete, incorrect or false.

10.3. **Reductions:**

10.3.1. The Municipality will consider reductions from rates payable by owners of property on an *ad hoc* basis, in any of the following circumstances:

10.3.1.1. Partial or total destruction of a property and/or improvements on such property; and

10.3.1.2. In the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property.

10.3.2. A reduction from rates payable by owners of property will only be granted by the Municipality subject to the following conditions:

10.3.2.1. The owner of a property in respect of which a reduction is applied for must apply in writing to the Municipality for such reduction, and the onus will rest on such applicant to prove to the satisfaction of the Municipality that such property has been totally or partially destroyed or affected by a disaster as contemplated in sub-paragraph (10.3.1.1. and 10.3.1.2.) above. Such owner will further have to indicate to which extent the property can still be used and the impact on the value of the property;

10.3.2.2. The percentage of the reduction granted and the period for which the reduction will be granted, if any, is solely within the discretion of the Municipality;

10.3.2.3. The Municipal Manager or the person to whom this authority to approve an application for a reduction has been delegated, must consider and approve or dismiss the application; and

10.3.2.4. In considering the application for a reduction the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application

10.4. **Rebates:**

The Municipality will consider rebates from rates payable on certain categories of property and/or for certain categories owners of property, on the following basis:

10.4.1. Categories of property:

10.4.1.1. Agricultural/farming property:

10.4.1.1.1. The owners of agricultural/farming property may be granted a rebate subject to such owner providing the Municipality with the prescribed information as set out in **Schedule "B"** and in the format provided in **Schedule "B"**;

10.4.1.1.2. The prescribed information provided in the format of **Schedule "B"**, must be submitted to the Municipality before the 30 September of the current financial year

10.4.1.1.3. Rebates may be granted by utilizing the criteria as set out and referred to in paragraphs 3.1 to 3.2 of **Schedule "A"**.

10.4.1.1.4. Rebates may be granted but the owner's account must be up to date.

10.4.2. Public Service Infrastructure Property:

A rebate of the Ratio in relation to residential property of 1:0.25 (Government Gazette 12 March 2010 No. 33016) by the provisions of section 17(1)(a) of the MPRA will be granted by the Municipality for Public Service Infrastructure property as they provide essential municipal services to the local community.

10.4.3. Categories of owners:

10.4.3.1. Retired and/or Disabled Persons Rate Rebate:

Retired and/or disabled persons qualify for special rebates according to their monthly household income as referred to and set out in paragraph 3.4 of **Schedule "A"**. To qualify for this rebate a property owner must comply with the following requirements:

10.4.3.1.1. Occupies the property as his/her normal and only residence;

10.4.3.1.2. Be at least 60 years of age or have been awarded a disability pension from the Department of Social Development or other approved pension funds;

10.4.3.1.3. Be in receipt of a total monthly household income from any and all sources (including income of spouses of owner) as set out in paragraph 3.2 of **Schedule "A"**;

10.4.3.1.4. Not be the owner of more than one property;

10.4.3.1.5. Provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement;

- 10.4.3.1.6. Property owners must apply to the Municipality for the rebate on the prescribed application form as set out in **Schedule "C"** and provide such documents as required therein;
- 10.4.3.1.7. This application must be submitted to the Municipality before the end of September of the current financial year
- 10.4.3.1.8. The Municipal Manager or the person to whom the authority to approve the application for a rebate has been delegated, must consider and approve or dismiss the application;
- 10.4.3.1.9. In considering the application for a rebate the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application;
- 10.4.3.1.10. The Municipality reserves the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false; and
- 10.4.3.11. The extent of the rebate is set out in paragraph 3.2 of **Schedule "A"**.

11. COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY

- 11.1. The Municipal Manager must ensure that all exemptions, reductions, rebates and the phasing-in of certain rates, as contemplated in terms of the provisions of sections 15 and 21 of the MPRA, are appropriately disclosed in the annual operating budget, annual financial statements and annual report of the Municipality and that such exemptions, reductions, rebates and phasing-in of certain rates are clearly indicated on the rate account which is submitted to every respective property owner liable to pay rates to the Municipality.
- 11.2. The Municipal Manager must also disclose all costs in respect of such exemptions, reductions, rebates and/or phasing-in of rates.
- 11.3. The benefit in respect of and the reasons and criteria for the granting of certain exemptions, reductions, rebates and/or phasing-in of certain rates to the various property owners includes, but is not limited to:
 - 11.3.1. The promotion of local economic development, which includes the promotion of business investments within the municipal area of the Municipality;
 - 11.3.2. Job creation for the local community;
 - 11.3.3. The promotion of service delivery by *inter alia* farmers;

- 11.3.4. Poverty alleviation of indigent individuals;
- 11.3.5. Social and moral development, including assistance to religious institutions, sporting bodies, educational institutions and/or other non-governmental organisations which promote health and/or other benefits to the local community; and
- 11.3.6. Improved local economic growth.

11.4. IMPERMISSIBLE RATES

11.4.1. The Municipality may not levy a rate on:

- 11.4.1.1. National, Provincial or other public roads on which goods, services and/or labour move across a municipal boundary;
- 11.4.1.2. Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- 11.4.1.3. Railway lines forming part of a National railway system;
- 11.4.1.4. Runways, aprons and the air traffic control unit at the municipal airport, including the vacant land, known as the obstacle free zone surrounding the airport, which must be vacant for air navigation purposes;
- 11.4.1.5. On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, Act 57 of 2003, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, Act 10 of 2004, which are not developed or used for commercial, business, agricultural or residential purposes, provided that:
 - 11.4.1.5.1. The exclusion from rates lapses if the declaration of that property as a special nature reserve, national park, nature reserve or national botanical garden, or as part of such a reserve, park or botanical garden, is withdrawn in terms of the applicable Act mentioned in that subsection;
 - 11.4.1.5.2. If the property in respect of which the declaration is withdrawn is privately owned, the owner, upon withdrawal of the declaration, becomes liable to the municipality concerned for any rates that, had it not been for the exclusion set out in sub-paragraph (f), would have been payable on the property, notwithstanding

section 78 of the MPRA, during the period commencing from the effective date of the current valuation roll of the municipality;

11.4.1.5.3. If the property was declared as a protected area after the effective date of the current valuation roll, rates are payable only from the date of declaration of the property;

11.4.1.5.4. The amount for which an owner becomes liable in terms of paragraph 11.4.1.5.2. and 11.4.1.5.3. must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality;

11.4.1.5.5 Paragraphs 11.4.1.5.2 to 11.4.1.5.4. above apply only if the declaration of the property was withdrawn because of:

11.4.1.5.5.1. A decision by the private owner for any reason to withdraw from the agreement concluded between the private owner and the state in terms of the Protected Areas Act, and in terms of which the private owner initially consented to the property being declared as a protected area; or

11.4.1.5.5.2. A decision by the state to withdraw from such agreement because of a breach of the agreement by the private.

11.4.1.6. On mining rights or a mining permit within the meaning of the Mineral and Petroleum Resources Development Act, Act 28 of 2002, excluding any building, other immovable structures and infrastructure above the surface of the mining property required for purposes of mining;

11.4.1.7. On a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse provided that this exclusion lapses:

11.4.1.7.1. Ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds; or

11.4.1.7.2. Upon alienation of the property by the land reform beneficiary or his or her heirs, dependants or spouse;

11.4.1.8 On the first **R50 000** of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality:

11.4.1.8.1. For residential properties; or

11.4.1.8.2. For properties used for multiple purposes, provided one or more components of the property are used for residential purposes; or

11.4.1.8.3. On a property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community which is occupied by the office bearer of that community who officiates at services at that place of worship.

(*see exemptions page 26 detailed)

CHAPTER 4
GENERAL PROVISIONS

12. SPECIAL RATING AREAS

- 12.1. The Municipality may, if and when it deems necessary, by means of a Council resolution determine special rating areas in consultation with the relevant communities as provided for in terms of the provisions of section 22 of the MPRA.
- 12.2. The following matters shall be attended to in consultation with the property owners within the area where the Municipality considers imposing such special rating area:
- 12.2.1. The proposed boundaries of the special rating area;
 - 12.2.2. Statistical data in respect of the area concerned and any such further information as may be required by the property owners who owns property within the proposed special rating area;
 - 12.2.3. Information in respect of the proposed improvements and/or upgrades, clearly indicating the estimated costs of each respective improvement and/or upgrade;
 - 12.2.4. The proposed financing of the improvements and/or upgrades;
 - 12.2.5. The priority of improvements and/or upgrades, if applicable;
 - 12.2.6. The socio economic factors of the relevant property owners concerned;
 - 12.2.7. The different categories of property;
 - 12.2.8. The amount of the proposed special rating;
 - 12.2.9. The details regarding the implementation of the special rating;
 - 12.2.10. The additional income which will be generated by means of the special rating; and
 - 12.2.11. The precise manner in terms of which the Municipality will utilize the additional income so generated.

- 12.3. A committee of property owners who own property within the proposed special rating area, consisting of 6 (six) **Property owners** must be established in order to advise and consult the Municipality with regard to such proposed special rating area. This committee will be elected by the inhabitants within the proposed special rating area concerned, who must be at least 18 (eighteen) years of age. The election of the committee will commence under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no executive powers.
- 12.4. The consent required from the property owners who own property within the proposed special rating area, must be obtained in writing or by means of a formal voting process under the auspices of the Municipal Manager. The majority vote is regarded as 50% plus 1 (one), of the property owners concerned. Each property owner, being the receiver of the monthly account for the municipal rate, will have 1 (one) vote each.
- 12.5. In determining the special additional rates the Municipality shall differentiate between different categories as referred to in paragraph 8 above.
- 12.6. The additional rates levied must be utilized for the purpose of improving or upgrading the specific area only and not for any other purpose.
- 12.7. The Municipality shall establish separate accounting and other record-keeping systems, compliant with GAMAP/GRAP, for the identified area and the property owners concerned shall be kept informed of progress with projects and financial implications on an annual basis.
- 12.8. Council may approve a rebate, reduction or exception in a determined amount and for a determinable period to a specific property owner to set off or reduce any amounts payable by the Municipality to the property owner whether under a services agreement or otherwise.

13. RATE INCREASES

- 13.1. In terms of the provisions of section 17(3)(a)(ii) of the MFMA and section 24(2)(c) (1) of the MFMA, read with section 28(6) of the MFMA, the Municipality may only consider the increase of rates annually during the drafting and adoption of its annual budget.
- 13.2. Income derived from the increasing of rates must be used by the Municipality to finance any increase in operating costs of subsidized municipal services and/or any increase in the rendering of municipal services to the local community.
- 13.3. The following annual adjustments may be considered and/or made in respect of subsidized municipal services and/or the rendering of municipal services to the local community:
- 13.3.1. Salary and/or wage increases as agreed with the South African Local Government Bargaining Council;
 - 13.3.2. Salary increases of managers directly accountable to the Municipal Managers in terms of the provisions of section 56 of the Systems Act;
 - 13.3.3. Inflation adjustments in respect of general expenditure, repairs, maintenance and/or contributions to statutory funds, and
 - 13.2.4. Additional depreciation costs, interest on and/or reduction of loans associated with the assets obtained by the Municipality during the previous financial year.
- 13.4. Extraordinary expenditure in respect of community municipal services which was not expected or budgeted for may be financed by an increase of property rates.
- 13.5. The Municipality must take into consideration the ability of ratepayers to afford any proposed increase of rates prior to implementing any increase of property rates.

- 13.6. Any and all increases of property rates must be communicated to the local community in terms of paragraph 14 of this policy and the applicable provisions of the MFMA.

14. NOTIFICATION OF RATES

- 14.1. In terms of the provisions of section 16(2) of the MFMA, read with the provisions of section 22 of the MFMA, the public must be informed of the rates on property which the Municipality intends to levy in the next financial year as contained in the Municipality's annual budget. The public then may submit representations regarding the contents of the said annual budget in terms of the provisions of section 22(a)(ii) of the MFMA.
- 14.2. Once the Council has, considered, in terms of the provisions of section 24(1) of the MFMA, amongst others, the representations by the public, the Council may proceed to approve the annual budget, and once it has done so the Municipality shall have levied the rate as contained in the annual budget as contemplated in terms of the provisions of section 24(2) (c) (i) of the MFMA.
- 14.3. The Municipality must give notice to the local community of the rates levied on property in accordance with the provisions of section 14 of the MPRA, which in turn requires that the resolution levying the rates on property be promulgated by publishing the resolution levying the rates in the Provincial Gazette and within 60 (sixty) days after the passing of the resolution levying the rates:
- 14.3.1. in terms of the provisions of section 14(3)(a) and (b) of the MPRA, whenever a Municipality passes a resolution as referred to in subparagraph 14.3. above, the Municipal Manger must, within 60 (sixty) days after the passing of the resolution levying the rates:
- 14.3.1.1. Conspicuously display the resolution for a period of at least 30 (thirty) days:
- 14.3.1.1.1. at the Municipality's head and satellite offices and libraries; and
- 14.3.1.1.2. if the Municipality has an official website or a website available to it as envisaged in section 21B of the Systems Act, on that website; and

14.3.1.2. Advertise in the media a notice stating that:

14.3.1.2.1. a resolution levying a rate on property has been passed by the Council; and

14.3.1.2.2. the resolution is available at the Municipality's head and satellite offices and libraries for public inspection during office hours and, if the Municipality has an official website or a website available to it, that the resolution is also available on that website.

14.4. The resolution levying the rates must contain the date on which the resolution was passed, differentiate between different categories of properties and reflect the cent amount in the rand rate for each category of property.

15. PAYMENT OF RATES

15.1. A ratepayer has the option to pay the rates for which such ratepayer is liable to the Municipality in one annual instalment on or before the end of September of a given year, or to pay such rates on a monthly basis on or before the last day of the month.

15.2. If the owner of rateable property wishes to opt for the payment of rates annually in one instalment, such owner must notify the Municipal Manager in writing of such election and the owner will then become liable to the Municipality to pay the rates on an annual basis, and full payment of the rates to be received by no later than the last day of September.

15.3. Interest on arrear rates will be levied and payable as set out in terms of the provisions of section 75A(1)(b) of the Systems Act, read with section 97(1)(e) of the Systems Act and the applicable provisions of the Credit Control & Debt Collection Policy and by-laws of the Municipality.

15.4. If the owner of rateable property fails neglects or refuses to pay such rates, which owes and due to the Municipality, the Municipality must recover such rates in accordance with the provisions of its Customer Care, Debt Collection and Credit Control Policy of the Municipality, read with the provisions of Chapter 9 of the Systems Act.

- 15.5. Arrear rates may be recovered from any tenants or occupiers of a rateable property or their agent as set out in terms of the provisions of sections 28 and 29 of the MPRA. (Read together with the Customer Care, Debt Collection and Credit Control Policy)

16. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

- 16.1. Rates on property in respect of a sectional title scheme, shall be levied on the individual sectional title units in the scheme and not on the property as a whole.
- 16.2. The rate levied on a sectional title unit is payable and must be recovered from the owner of such unit or the holder of a right contemplated in section 25 or 27 of the Sectional Titles Act, Act 95 of 1986, and no rates in respect of any such unit or right may be recovered from the established body corporate of the scheme.
- 16.3. The provisions of sub-paragraph (2) above do not exempt a body corporate of a sectional title scheme from the payment of rates on a sectional title unit in respect of which such body corporate is the owner.
- 16.4. A body corporate which controls a sectional title scheme may not apportion and collect rates contemplated in terms of the MPRA from the owners of the sectional title units in such scheme.
- 16.5. The common area of the property in sectional title schemes, shall be proportionally divided and included into each sectional title unit and these proportioned common area shall be payable by the owners of the specific sectional title units.

17. ACCOUNTS TO BE FURNISHED

- 17.1. The Municipality must furnish every owner of rateable property liable for the payment of such rates with a written account therefore, which account must provide:
- 17.1.1. The amount due for such rates;
 - 17.1.2. The date upon or before which the rates are payable;
 - 17.1.3. The manner in terms of which the rates was calculated;
 - 17.1.4. The municipal value of the property for which the account was furnished
 - 17.1.5. The percentage or amount of any applicable exemptions, reductions and/or rebates.
- 17.2. An owner of rateable property who/which is liable for the payment of such rates remains liable for the payment thereof, irrespective of whether or not such owner received an account furnished by the Municipality therefore.
- 17.3. An owner contemplated in sub-paragraph (2) above, must enquire and attempt to obtain such account from the Municipality for the payment thereof and is responsible for enquiring and ascertaining from the Municipality, monthly and timeously, the amount due to the Municipality should no account be received.
- 17.4. Where a rateable property is owned by 2 (two) or more owners, the Municipality may recover the applicable property rate therefore from anyone of the owners in order to reduce its administrative costs and in terms of the provisions of section 24(2) (a) of the MPRA.
- 17.5. The Municipality and the ratepayer have the rights in respect of accounts, as set out in terms of the provisions of section 102 of the Systems Act and the provisions of the Customer Care, Debt Collection and Credit Control Policy of the Municipality dealing with accounts.

18. FREQUENCY OF VALUATION

- 18.1. The Municipality must prepare a new valuation roll at least every 5 (five) financial years, and reserves the right to extend the validity of the valuation roll to 7 (seven) financial years in terms of the provisions of section 32(2) (b) of the MPRA No 6 of 2004.
- 18.2. Supplementary valuations will be done on a continuous basis to ensure that the valuation roll is properly updated, as provided for in terms of the provisions of section 78 of the MPRA.

19. COMMUNITY PARTICIPATION

This policy may only be adopted once the Municipality has followed a process of community participation, in accordance with the provisions set out in Chapter 4 of the Systems Act and section 4(2) of the MPRA, and the Municipality must further take all comments and representations received as a result of the community participation process into account when it considers the adoption of this policy.

20. REGISTER OF PROPERTY

The Municipality must compile, maintain and display a register of properties in accordance with the provisions of section 23 of the MPRA.

21. CERTIFICATE OF OCCUPANCY

- 21.1. Prior to a residential property being eligible for a rebate, a certificate of occupancy must have been issued in respect thereof, by the Municipality.
- 21.2. The onus of obtaining a certificate of occupancy rests with the owner of a property.

22. ILLEGAL USE OF PROPERTY

- 22.1. If a property is used for a use, other than that permitted for the property by the applicable provisions of the Land Use Management Scheme (also referred to as the “illegal use of the property”), the Municipality will be entitled to levy on the property concerned the highest tariff provided for in the differential rate categories of the Municipality.
- 22.2. 22.2.1. The owner of property contemplated in sub-paragraph (22.1.) above then bears the onus of satisfying the Municipality that the illegal use of the property has ceased and may request in writing from the Municipality to proceed to reinstate the levying of rates against the property as per the valuation roll;
- 22.2.2. Such a request in writing by the owner of the property must be accompanied by an affidavit by the owner of the property, confirming that the illegal use of the property has been ceased and that the property is being used for the use allowed for the property in terms of the provisions of the Land Use Management Scheme;
- 22.2.3. The Municipality shall consider the request and if the cessation of illegal use of the property is verified and if the request is approved, the Municipality will reinstate the levying of rates against the property as per the valuation roll.

23. INSPECTION OF AND OBJECTIONS TO ENTRIES INTO THE VALUATION ROLL OF THE MUNICIPALITY

- 23.1. Once the Municipality has given notice in terms of the provisions of section 49 of the MPRA that the valuation roll is open for public inspection, any person may within such period stated in section 49(1)(a) of the MPRA, in terms of the provisions of section 50(1) of the MPRA:
- 23.1.1. Inspect the roll during office hours;
- 23.1.2. Upon payment of a fee as approved by Council, request the Municipality during office hours to provide an extract from the roll; and

23.1.3. May lodge an objection with the Municipal Manager against any matter reflected in, or omitted from the roll.

23.2. An objection as contemplated in sub-paragraph 23.1.3.above, must be in relation to a specific individual property and not against the valuation roll as a whole.

23.3. The lodging of an objection **does not defer liability for the payment of rates** beyond the date determined therefore.

23.4. All objections received shall be dealt with in the manner prescribed in terms of the provisions of section 51 to section 54 of the MPRA.

24. BY-LAWS TO GIVE EFFECT TO RATES POLICY

The Municipality must adopt by-laws to give effect to the implementation of this policy.

25. POLICY REVIEW

This policy must be reviewed annually by the Council of the Municipality as prescribed in terms of the provisions of section 5 of the MPRA.

SCHEDULE "A" – REBATE ON RATES

NO.	CATEGORY / DESCRIPTION	APPLICABLE REBATE
1.	<u>Exemptions:</u>	
1.1	<p><u>Residential</u></p> <p>A Municipality may not levy a rate on:</p> <ul style="list-style-type: none"> • The first R15 000.00 of the market value of a property assigned in the valuation roll or supplementary valuation roll is compulsory exempted from the levying of rates as per the provisions of section 17(1)(h) of the MPRA. • An additional R35 000.00 rebate be granted on the general rate subject thereto; • that the residential property has been developed by way of a habitable house. • that the property is used for only residential purposes. 	<p>R 50,000.00</p> <p>Ratio 1:1</p> <p>in terms of the provisions of section 19(1)(b) of the MPRA</p>
2.	<u>Reductions:</u>	
	in the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property	
3.	<u>Rebates:</u>	
3.1	<u>Public Service Infrastructure</u>	<p>Ratio 1:0.25</p> <p>in terms of the provisions of section 19(1)(b) of the MPRA</p>
3.2	<u>Public Benefit Organizations</u>	<p>Ratio 1:0.25</p> <p>in terms of the provisions of section 19(1)(b) of the MPRA</p>

3.3	<u>Agricultural/Farming Land</u>	Ratio 1:0.25 in terms of the provisions of section 19(1)(b) of the MPRA
3.3.1.		
	The owner's account must be up to date in order to qualify for a rebate	
	No municipal roads next to property	7.5%
	No municipal sewerage to the property	7.5%
	No municipal electricity to the property	7.5%
	No water supply to the property by the Municipality	15%
	No refuse removal provided by the Municipality	7.5%
3.3.2.	<u>The contribution to job creation</u>	5%
	If the owner is providing permanent residential property to the farm workers and such property is registered in the name of such farm workers.	5%
	If such residential properties are provided with potable water.	5%
	If the owner has provided electricity to the residential properties of his farm workers.	5%
3.4.	<u>Retired and/or disabled persons on residential property only:</u>	
	Owner with a gross monthly income from R 0 – R 3,380.00	100%
	Owner with a gross monthly income from R 3,381.00 – R 7, 500.00	40%
	Owner with a gross monthly income from R 7 ,501.00– R 10,500.00	30%
	Owner with a gross monthly income from R 10,501.00 – R12 ,500.00	20%
	Owner with a gross monthly income from R 12 ,501 .00– R14 ,000.00	10 %



AGRICULTURAL PROPERTY REBATE APPLICATION

SCHEDULE "B"

NAME: _____ CONTACT NR: _____
 POSTAL ADDRESS: _____ NAME OF FARM: _____

ACCOUNT NR: _____
 SARS/INCOME TAX NR: _____

PORTION NR: _____

SCHEDULE OF REBATES

<u>CATEGORY/DESCRIPTION</u>	<u>PROPOSED REBATE</u>	<u>YES</u>	<u>NO</u>
<u>REBATES ON AGRICULTURAL LAND</u>			
Municipal roads next to the property	7.5%		
Municipal sewerage to the property	7.5%		
Municipal electricity	7.5%		
Water supply to the property by the municipality	15%		
Refuse removal provided by the municipality	7.5%		
<u>SUB TOTAL</u>			
<u>CONTRIBUTION TO SOCIAL AND ECONOMIC WELFARE OF FARM WORKERS</u>			
Contribution to job creation	5%		
Permanent residential property provided to the farm workers	5%		
Residential property provided with portable water	5%		
Residential property provided with electricity	5%		
<u>SUB TOTAL</u>			
<u>TOTAL</u>			

PLEASE NOTE: Qualifying requirements are that the owner should provide proof that he/she is registered as a *bona Fide* farmer with SARS and that the owner's account is up to date.

If the application form is completed incorrectly, no rebate will be granted.

Declaration:

I, _____ (Full names and surname)

Declare under oath:

1. That the above answers and declarations are correct.
2. That should any of the above change, I will, without delay inform the Chief Financial Officer accordingly.

Signature: _____

Date: _____

I, _____ hereby certify
 (full names and surname)

That before I administer an affidavit the above questions were enquired of the applicant and the answers have been written in the applicant's presence.

Signature: _____ Date: _____

SCHEDULE "C"

FOR OFFICE USE ONLY/ SLEGS VIR KANTOOR GEBRUIK

INCOME PER MONTH/ INKOMSTE PER MAAND

PENSION/ PENSIOEN :

OTHER/ ANDER :

TOTAL/ TOTAAL :

VALUATION/ WAARDASIE :

REBATE / KORTING :

ACC NO/ REK NO :

REGISTERED OWNER FROM/ GEREGISTREERDE EIENAAR

VANAF :

ACCORDING TO ARTICLE 15(2) PROPERTY RATES LAW NO 6 OF 2004 AS AMENDED/
INGEVOLGE ARTIKEL 15(2) EIENDOMSBELASTINGWET NO 6 VAN 2004 SOOS GEWYSIG.

THE CITY OF MATLOSANA/ DIE STAD VAN MATLOSANA
APPLICATION FOR PARTIAL REBATE OF ASSESMENT RATES/ AANSOEK OM GEDEELTELIKE
KWYTSKELDING VAN EIENDOMSBELASTING.

Surname/Van:

Full Names/Volle Name:

Identification Number/Identiteit Nummer:

Residential Address/Woon adres:

Married Status/Huwelikstatus:

Contact Numbers/Kontak Nommers: Cell: (h)..... (w).....

Sworn Affidavit/Beëdige Verklaring

Herby confirm under oath that:/Verklaar onder eed

1. I am the registered owner of Erf/Holding/ Ek is die geregistreerde eienaar van erf:

Account Number/Rekening Nommer:

Extention/Uitbreiding:

2. I am 60 years of age or older on 1 July of the particular Financial year/ Ek is 60 jaar oud of ouer op 1 Julie van die betrokke Belasting jaar

Y/J	N
-----	---

3. If I am medically unfit and receive a disability grant I will provide the relevant documentation /Indien ek permanent medies ongeskik is om te werk sal ek die nodige bewyse aanheg.

Y/J	N
-----	---

4. If married the Bruto income of both spouses must be brought into consideration, meaning the total household income/Sou u getroud wees moet die gesamentlike inkomste in berekening gebring word d.w.s totale Bruto inkomste van die huishouding.

PLEASE NOTE/LET WEL:

IF THE APPLICATION FORM IS INCOMPLETE AND THE REQUIRED DOCUMENTS ARE NOT SUPPLIED THE REBATE WILL BE DENIED/INDIEN DIE AANSOEK VORM ONVOLLEDIG IS EN DIE NODIG DOKUMENTASIE NIE AANGEHEG IS NIE, SAL GEEN AFSLAG TOEGESTAAN WORD NIE.

- All proof of income must be provided, interest received on investments, pension or any monthly income, with the latest statement date. **NO BANK STATEMENTS WILL BE ACCEPTED/ Bewys van alle inkomste, rente ontvang op beleggings, pensioen, en bewys van enige ander maandelikse inkomste, moet aangeheg word .GEEN BANK STATE SAL AANVAAR WORD NIE.**

- If the applicants spouse is unemployed/and not receiving a monthly pension, a sworn affidavit should be handed in/ Indien die vrou werkloos of geen inkomste/pensioen ontvang nie, moet 'n beëdigde verklaring ingehandig word.
- Occupy the property as his/her normal residence/ Okkupeerder van die eiendom as hom/haar normale residensie.
- The applicant must be the registered owner and the occupant of the appropriate property; which is exclusively used for residential purposes only/ Die aansoeker moet die geregistreerde eienaar en die bewoner wees van die betrokke eiendom, wat uitsluitlik gebruik word residensiële doeleindes.
- Not own more than one property/ Nie meer as een eiendom besit nie.
- Be at least 60 years of age or in receipt of a disability pension from the Department of Social Development/ Ten minste 60 jaar oud wees of in die ontvangs wees van dokumentasie 'n ongeskikheidspensioen van die Departement van Sosiale Ontwikkeling.

DECLARATION/VERKLARING:

I/EK.....
 (Full names and surname/Volle name and van)

Declare under oath/Verklaar onder eed/bevestig plegtig:

1. That the above answers and declarations are correct/Dat die voorafgaande antwoorde en verklarings na my beste wete en oortuiging korrek is,
2. That should any of the information change I will without delay inform the Financial Service Manager accordingly/.Dat, indien enige van die voorafgaande besonderhede verander, ek die Hoof Finansiële Beampte onverwyld daarvan in kennis sal stel.

.....
SIGNATURE/HANDTEKENING

I/EKCERTIFY/ SERTIFISEER

1. That before I administer an affidavit the following questions were asked of the applicant and the answers has been written down in the applicant's presence/ Dat voordat ek die voorgeskrewe eed/bevestiging afgeneem het, ek die volgende vra aan die verklaarder gestel het en sy/haar antwoord in sy/haar teenwoordigheid neergeskryf het:
 - (1) Are you familiar with the content of the affidavit and do you understand the content? / Is u vertrou met die inhoud van bostaande verklaring en begryp u dit?
 Answer/ Antwoord:
 - (2) Have you any objection to the prescribed oath? / Het u enige beswaar teen die afle van die voorgeskrewe eed?
 Answer/ Antwoord:
 - (3) Do you consider the prescribed affidavit binding to your conscience? / Beskou u die voorgeskrewe eed as bindend vir u gewete?
 Answer/ Antwoord:
2. That the declarer admits that he/she is familiar with the contents of the declaration and understands. I hereby certify that the declarer signed the form in my presence/ Dat die verklaarder erken dat hy/sy vertrou is met die inhoud van die verklaring en begryp. Hierdie verklaring is beëdig/bevesting voor my en verklaarder se handtekening/duimafdruk/merk is in my teenwoordigheid daarop aangebring.

ADDRESS/ ADRES:

AREA:.....

POSITION/ AMP:

.....
COMMISSIONER OF OATHS/ KOMMISSARIS VAN EDE

THE CITY OF MATLOSANA



**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL (U.I.F + W)
EXPENDITURE POLICY**

2019/2020 FINANCIAL YEAR

1st Edition

DOCUMENT AND VERSION CONTROL

Version: 11TH Supply chain management policy

Council approval date: 31 May 2019

Summary:

This document describes the Policy on Supply Chain Management that will be applicable to the City of Matlosana Local Municipality with effect from 01 July 2019

Note must be taken that this policy shall be reviewed on annual basis

Compiled by :

MR. TB MOTILENI

ASSISTANT DIRECTOR SUPPLY CHAIN MANAGEMENT CITY OF MATLOSANA Local MUNICIPALITY

SIGNATURE _____

Ms. O T Sekgala

ACTING CHIEF FINANCIAL OFFICER CITY OF MATLOSANA LOCAL MUNICIPALITY

SIGNATURE _____

Mr TSR Nkhumise

MUNICIPAL MANAGER: CITY OF MATLOSANA LOCAL MUNICIPALITY

SIGNATURE _____

CLR. MAITU KGAILE EXECUTIVE MAYOR CITY OF MATLOSANA LOCAL MUNICIPALITY

SIGNATURE _____

PREAMBLE

In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as "MFMA"), the accounting officer is responsible for managing the financial affairs of the Municipality and he/she must, for this purpose, inter alia:

- a) Take all reasonable steps to ensure that unauthorised, irregular; fruitless and wasteful expenditure and other losses are prevented; and
- b) Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councilor of Municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

1.2. This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

The Background

The MFIP III is a strategically-driven programme of technical assistance designed to strengthen the financial management capacity of municipalities and support local government financial management compliance and qualitative improvements.

The main intended outcomes of the MFIP are to facilitate improved financial management capacity, enhanced budget and financial management practices and improved audit outcomes through the provision of direct technical capacity support.

In order to achieve the above, a collective agreement by all stakeholders was drafted in the form of a Support Plan setting out roles and responsibilities of the Municipality and the Advisor. This has been signed and agreed with the relevant stakeholders.

Section T3.2.1.: Enforce compliance to the process whereby expenditure is authorized, approved and incurred as per the approved budget.

THE CITY OF MATLOSANA:

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL (U.I.F + W) EXPENDITURE POLICY

TABLE OF CONTENTS

CHAPTER 1: ESTABLISHMENT AND IMPLEMENTATION OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL (U.I.F + W)

EXPENDITURE POLICY

TABLE OF CONTENTS

1.	TABLE OF CONTENTS	PAGE
1.	DEFINITION OF KEY WORDS.....	1
2.	PURPOSE.....	4
3.	OBJECTIVES.....	5
4.	REGULATORY FRAMEWORK.....	5
5.	SCOPE OF APPLICATION.....	6
6.	ROLES AND RESPONSIBILITIES.....	6
7.	UNAUTHOSIZED EXPENDITURE.....	7
8.	IRREGULAR EXPENDITURE.....	11
9.	FRUITLESS AND WASTEFUL EXPENDITURE.....	17
10.	DEALING WITH IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE.....	19
11.	ROLE OF COUNCIL COMMITTEES.....	20
12.	INVESTIGATION AND DISCIPLINARY ACTIONS.....	20
13.	RECOVERY.....	23
14.	REPORTING.....	24
15.	REGULAR REVIEW OF THE UNAUTHORISED IRREGULAR OR FRUITLESS AND WASTE EXPENDITURE REGISTER.....	25
16.	ACCOUNTING TREATMENT OF A UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE.....	25
17.	DISCLOSURE OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE.....	26
18.	PROCESS OF IDENTIFYING UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE.....	26
19.	OPERATIONALISING THE POLICY.....	26
20.	POLICY REVIEW.....	27
	ANNEXURE "A" : REGISTER OF UIF+W EXPENDITURE.....	28
20.	POLICY REVIEW.....	27

1. DEFINITION OF KEY WORDS

"Accounting Officer", as defined in the Local Government: Municipal Finance Management Act 56 of 2003, the municipal official referred to in section 60 of the said Act, and includes a person acting as the accounting officer. The terms *Municipal Manager/City Manager* has corresponding meaning;

"Allocation", in relation to a municipality, means:

- (a) a municipality's share of the local government's equitable share referred to in section 214(1)(a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transactions.

"Budget and Treasury" means the office within the *Municipality* responsible for its financial management;

"emergency" is defined as where the situation may give rise to:

- (a) Threats to human life or safety;
- (b) Threats of interruptions in the provision of essential services to the community and the functioning of the Metro as a whole;
- (c) The threat of a major unanticipated expense to the municipality (e.g. damage to property); and
- (d) The possibility of damage to the natural environment.

The above description does not include expenditure incurred as a result of poor planning.

"Fruitless and wasteful expenditure" as defined in the Local Government: Municipal Finance Management Act 56 of 2003, means expenditure that was made

in vain and would have been avoided had reasonable care been exercised. *The phrase 'made in vain' indicates that the municipality derived no value for money from the expenditure or the use of other resources. Fruitless and wasteful expenditure* must fulfil both the conditions in the definition, namely, that it was made in vain and it would have been avoided had reasonable care been exercised.

"Irregular expenditure", as defined in the Local Government: Municipal Finance Management Act 56 of 2003, in relation to a municipality or municipal entity, means:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned by National Treasury in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure".

"Executive Mayor" as defined in the Local Government: Municipal Finance Management Act 56 of 2003 means the councillor elected as the executive *mayor* of the Municipality in terms of section 55 of the Local Government: Municipal Structures Act;

"Municipality" means the City of Matlosana Local Municipality.

“Overspending” –

(a) In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure as the case may be;

(b) In relation to a *vote*, means causing expenditure under the *vote* to exceed the amount appropriated for that *vote*; or

(c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.

“Political Office Bearer” means the speaker, executive mayor, mayor, deputy *mayor*, or a member of the executive committee as referred to in the Municipal Structures Act; ***“Senior Manager”*** as defined in the Local Government: Finance Management Act 56 of 2003, means a manager referred to in section 56 of the Local Government: Municipal Structures Act

“the Policy” means the Policy Governing Unauthorized, Irregular, *Fruitless and Wasteful Expenditure* in the City of Matloasana Local Municipality;

“Unauthorized expenditure”, as defined in the Local Government: Municipal Finance Management Act 56 of 2003, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes –

(a) overspending of the total amount appropriated in the municipality’s approved budget;

(b) overspending of the total amount appropriated for a *vote* in the approved budget;

(c) expenditure from a *vote* unrelated to the department or functional area covered by the *vote*;

(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" in the MFMA otherwise than in accordance with any conditions of the allocation; or

(f) a grant by the municipality otherwise than in accordance with the MFMA.

"Vote", according to National Treasury Circular 12, means:

(a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department or functional areas of the municipality; and

(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

ABBREVIATIONS/ACRONYMS

CFO	-	Chief Financial Officer
MIG	-	Municipal Infrastructure Grant
CoM	-	City of Matlosana Local Municipality
MFMA	-	Municipal Finance Management Act, 2003, No. 56 of 2003
MPAC	-	Municipal Public Account Committee
MM or AO	-	Municipal Manager or Accounting Officer
SAPS	-	South African Police Services
MSA	-	Municipal Systems Act, 2000, No. Act 32 of 2000
Structures Act	-	Municipal Structures Act, 1998, Act No 117 of 1998
RPOBA	-	Remuneration of Public Office Bearers Act
Policy	-	Policy on unauthorised, irregular, fruitless and wasteful expenditure
UIF &W	-	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
MBRR	-	Municipality Budget Rules and Regulations

2. PURPOSE

2.1 The Municipal Finance Management Act (56 of 2003) instructs that *Senior Managers* and other officials of the *municipality* take all reasonable steps to ensure that “any unauthorised, irregular or *fruitless and wasteful expenditure* and any other losses are prevented” (See sections 62(1)(d), 78(1)(c) and 81(1)(d)).

2.2 The *Municipality* is often challenged reports by the Auditor General in respect of unauthorised, irregular or *fruitless and wasteful expenditure*.

2.3 *The Policy* sets out to provide a strategic method and approach for dealing with these matters.

2.4 The purpose of *the Policy* is therefore to define and regulate unauthorised, irregular or fruitless and wasteful (UIF + W) expenditure in the *Municipality*.

2.5 *The Policy* furthermore seeks to:

- a) prevent unauthorised, irregular or *fruitless and wasteful expenditure* as compelled by the Municipal Finance Management Act (56 of 2003);
- b) identify and investigate unauthorised, irregular or *fruitless and wasteful expenditure*;
- c) respond appropriately in accordance with the law and
- d) address instances of unauthorised, irregular or *fruitless and wasteful expenditure* conclusively.

3. OBJECTIVES

3.1 The objectives of this policy include *inter alia* the following: -

- a) All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular, fruitless and wasteful expenditure.

Emphasising the accountability of Directorates and councillors including consequence management;

- b) Ensuring that Directorates have a clear and comprehensive understanding of the procedures they must follow when dealing with unauthorised, irregular or *fruitless and wasteful expenditure*;
- c) Ensuring that resources made available to Directorates are utilised efficiently, effectively, economically and for authorised official purposes;
- d) Ensuring that the *Municipality's* resources are managed in compliance with the MFMA, the Municipal Budget and Reporting Regulations and other relevant legislation; and
- e) Ensure that irregular, unauthorised or *fruitless and wasteful expenditure* is detected, processed, recorded, and reported timeously.

4. REGULATORY FRAMEWORK

4.1 *The Policy* is informed and guided by, among others, the following statutes and regulations:

- a) Section 32 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) regulates unauthorised, irregular or *fruitless and wasteful expenditure*;
- b) Sections 170 of the Local Government: Municipal Finance Management Act 56 of 2003 which regulates departures from treasury regulations and condonation thereof;
- c) Local Government: Municipal Finance Management Act 56 of 2003: Municipal Budget and Reporting Regulations , dated 17 April 2009;

d) Local Government: Municipal Finance Management Act 56 of 2003:
Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings;

national treasury circular 68 as revised in march 2019

e) National Treasury, Municipal Finance Management Act 56 of 2003 Circular 68, Circular 68 of May 2013 (which provides clarity on procedure to be followed when dealing with authorised, irregular or fruitless and wasteful expenditure); and

f) Applicable General Reporting and Accounting Principles (GRAP).
The Remuneration of Public Office Bearers Act;

Municipal Systems Act, 2000, Act No 32 of 2000;

Municipal Structures Act No. 117 of 1998.and

Any other legislation, regulation or circular that may impact this policy;

5. SCOPE OF APPLICATION

5.1 The *Policy* applies to *Council* and members of *Council* structures, the *Accounting Officer/City Manager/Municipal Manager*, Chief Financial Officer, *Senior Managers* (or all Section 56/7 employees of Council), municipal officials and all agents of Council. *The Policy* is also applicable to any of its municipal entities, as funds that are expensed by the municipal entity must be expended in terms of the applicable legislation to the parent *municipality*. From a responsibility perspective, this policy is relevant to all employees of the *Municipality*, whether permanent, contractual or temporary.

This policy should also be read in conjunction with the following of CoM Local Municipality:

- a) Delegations of Authority;
- b) Procedures for unauthorised, irregular, fruitless and wasteful expenditure;
- c) CoM's Supply Chain Management Policy
- d) Breach of the Code of Conduct for Municipal Staff Members; and
- e) Breach of the Code of Conduct for Councillors.

6. ROLES AND RESPONSIBILITIES

6.1 The MFMA outlines the responsibilities of the *Accounting Officer* which include amongst others the following: -

- a) To exercise all reasonable care to prevent and detect irregular, unauthorised, *fruitless and wasteful expenditure* and must for this purpose implement effective, efficient and transparent processes of financial and risk management.
- b) To inform, in writing the *Mayor*, executive committee and *Council*, as the case may be, if a decision is taken which, if implemented, is likely to result in irregular, unauthorised, *fruitless and wasteful expenditure*.
- c) On discovery of any irregular, unauthorised, *fruitless and wasteful expenditure* to report promptly in writing, the particulars of the expenditure to the *Accounting Officer* or *Senior Manager* (whichever is applicable).

d) Section 32 of the MFMA further prescribes the process that must be followed to deal with irregular, unauthorised, fruitless, and wasteful expenditure.

6.2 *Senior managers* and those duly delegated have the following responsibilities amongst others:

a) Identifying the identity of the person who is liable for causing unauthorised, irregular or *fruitless and wasteful expenditure*.

b) Reporting the transaction in line with Section 32 of the MFMA to all the required structures of *Council*.

c) Deciding how to recover unauthorised, irregular or *fruitless and wasteful expenditure* from the person liable for that expenditure (in line with Section 32 of the MFMA).

d) Determining the amount of unauthorised, irregular or *fruitless and wasteful expenditure* to be recovered, written off or provided for (in line with Section 32 of the MFMA).

7. UNAUTHORISED EXPENDITURE

7.1. Process of Dealing with Unauthorised Expenditure

7.1.1 Any municipal employee who becomes aware of, or suspects the occurrence of *unauthorised expenditure* must immediately report, in writing, such expenditure to the *Accounting Officer* or his/her delegated *Senior Manager*.

7.1.2 On discovery of alleged *unauthorised expenditure*, such expenditure must be left in the account, i.e. relevant *vote*, and the *Accounting Officer* or his/her delegated *Senior Manager* should record the details of the expenditure in an *unauthorised expenditure* register. (Refer Annexure "A").

7.1.3 The *Accounting Officer* or his/her delegated *Senior Manager* must investigate the alleged *unauthorised expenditure* to determine whether the expenditure meets the definition of *unauthorised expenditure*.

7.1.4 During the period of investigation, the expenditure must remain in the expenditure account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure.

7.1.5 Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute *unauthorised expenditure* the details of the expenditure should be retained in the register for completeness purposes (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation.

7.1.6 If the investigation indicates that the expenditure is in fact *unauthorised expenditure* the *Accounting Officer* must immediately report, in writing, the particulars of the expenditure to the *Mayor* and then to *Council*.

7.1.7 *Council* must refer the matter to the select Committee (namely Municipal Public Accounts Committee (MPAC) or established Sub Committee) that must investigate the matter and advise *Council* accordingly.

7.1.8 If *Council* subsequently certifies the *unauthorised expenditure*, the *Municipality* requires no further action as the amount has already been expensed in the Statement of Financial Performance (Income Statement). The register should be updated to reflect the fact that the *unauthorised expenditure* was certified by *Council*.

7.1.9 If however, *Council* does not certify the amount, the *Accounting Officer* must take effective and appropriate action to recover the amount from the responsible person.

7.2 Authorising Unauthorised Expenditure

7.2.1 In considering authorisation of *unauthorised expenditure*, *Council* must consider the following factors: -

- a) Has the matter been referred to *Council* for a determination and decision?
- b) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to *Council*?
- c) Has the incident been referred to a *Council* committee (e.g. MPAC) for

investigation and recommendations?

- d) Has it been established whether the *Accounting Officer* or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- e) Has the *Accounting Officer* informed *Council*, the *Mayor* or the Executive Committee that a particular decision would result in an *unauthorised expenditure* as per section 32(3) of the MFMA?
- f) Are there good grounds shown as to why an *unauthorised expenditure* should be authorised? For example: the *Mayor*, *Accounting Officer* or official was acting in the best interests of the *Municipality* and the local community by making and permitting *unauthorised expenditure*, and the *Municipality* has not suffered any material loss as a result of the action.

UNAUTHORISED EXPENDITURE

- 1. CoM Local Municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 2. Expenditure incurred within the ambit of CoM local Municipality's virement policy is not regarded as unauthorised expenditure.
- 3. Any expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the MFMA is regarded as unauthorised expenditure.

7.2.2 Unauthorised expenditure would include:

- 1. Any overspending in relation to both the operational budget and capital budget of the municipality;
- 2. Overspending in relation to each of the votes on both the operational budget and capital budget;
- 3. Use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget;
- 4. Funds that have been designated for a specific purpose or project within a departments vote may not be used for any other purpose;

5. Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure;
6. Any grant to an individual or household unless it is in terms of the municipality's indigent policy, bursary scheme, corporate social responsibility policy, councillors discretionary grant or the grants-in-aid;
7. Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and
8. Any overspending on non-cash items, for example depreciation, impairments, provisions.

7.2.3 Expenditures that are NOT classified as unauthorised expenditure Given the definition of unauthorised expenditure, the following are examples of expenditure that are NOT unauthorised expenditure:

- (i) Any over-collection on the revenue side of the budget as this is not an expenditure; and
- (ii) any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
- (iii) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
- (iv) overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a vote on the main budget Table A3(Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR and
- (v) overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in an overspending of a 'vote' on the main budget Table A5.

7.3. Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:

- a) To defray expenditure authorised in terms of section 26 (4) of the MFMA, [Section 26: Consequences of failure to approve a budget before the start of the budget year];
- b) To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA [Section 29: Unforeseen and unavoidable expenditure] failing which the unforeseen /unavoidable expenditure is unauthorised;

- c) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
- d) Expenditure incurred from a special bank account for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA [Section 12: Relief, charitable, trust or other funds];
- e) To pay over to a person or organ of state money received by the CoM Local Municipality on behalf of that person or organ of state, including—
 - (i) money collected by the CoM Local Municipality on behalf of that person or organ of state by agreement; or
 - (ii) any insurance or other payments received by the CoM Local Municipality for that person or organ of state;
- f) To refund money incorrectly paid into a bank account;
- g) To refund guarantees, sureties and security deposits;
- h) For cash management and investment purposes in accordance with section 13 [Section 13 of MFMA - Cash Management and Investments]; and
- i) To defray increased expenditure in terms of section 31 [Section 31 of MFMA - Shifting of funds between multi-year appropriations].

7.3.1. Any expenditure approved in terms the Municipal Budget and Reporting Regulations (MBRR).

7.3.2 In these instances, the Council may authorise the *unauthorised expenditure*.

7.3.3 If *unauthorised expenditure* is approved by Council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.

7.4. **Adjustments budgets to authorise unauthorised expenditure**

7.4.1 Council may only authorise *unauthorised expenditure* in an adjustments budget as follows:

- (a) **Adjustments budget for unforeseen and unavoidable expenditure**

(i) An adjustments budget to allow *Council* to provide ex-post authorisation for unforeseen and unavoidable expenditure that was authorised by the *Mayor* in terms of section 29 of the MFMA must be tabled in *Council* at its next meeting or within 60 days after the expenditure was made. Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of *unauthorised expenditure*, and may still be authorised in one of the other adjustments budget processes described below.

(b) Main adjustments budget

(i) Council may authorise *unauthorised expenditure* in the adjustments budget which may be tabled in Council “at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year” as per the MFMA. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.

(c) Special adjustments budget to authorise unauthorised expenditure

(i) Council may authorise *unauthorised expenditure* in a special adjustments budget tabled in Council when the Mayor tables the annual report. This special adjustment budget “may only deal with *unauthorised expenditure* from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.”

(ii) This approach may also be followed when the Annual Financial Statements for the previous financial year are concluded.

7.5. Recovery of Unauthorised Expenditure

7.5.1 All instances of *unauthorised expenditure* must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been authorised by Council in an Adjustments Budget.

a) The *Accounting Officer* (or his/her delegate) must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation.

b) The *Accounting Officer* (or his/her delegate) must, in writing, request the liable official or political office-bearer to pay the amount relating to such

unauthorised expenditure within 30 days. If the person/s fails to comply with the request, the matter may be handed to the *Municipality's* legal department for the recovery of the debt through normal debt collection process handled by *Budget and Treasury*.

7.5.2 Whenever unauthorised expenditure is incurred and it is referred to the council committee for investigation in terms of section 32(2)(a)(ii) of the MFMA, the committee must also assess whether or not the action or failure to act by any official constitute financial misconduct as defined in sections 171 and 172 of the MFMA and make an appropriate recommendation to council for further action in terms of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

8. IRREGULAR EXPENDITURE

8.1. Principles on Irregular Expenditure

8.1.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the *municipality's* supply chain management policy or system of delegation.

8.2. Categories of Irregular Expenditure

8.2.1. *Irregular expenditure* incurred as a result of non-compliance with a National Treasury Regulation, the MFMA and the *Municipality's* Supply Chain Management Policy.

Examples:

- a) Procuring of goods or services by means of quotations where the value of the goods/services exceed the set threshold as determined in the SCM policy.
- b) Irregular Expenditure incurred as a result of procuring goods or services other than by means of competitive bids where the reason for deviating from the prescribed processes have not been recorded or approved in terms of the SCM regulations.
- c) Irregular Expenditure resulting from non-adherence to the delegation of authority as approved.
- d) Irregular Expenditure incurred as a result of expenditure outside contracts or contracts expired and not extended in terms of section 116 of the MFMA.

e) Expenditure resulting from non-adherence to municipal's delegation of authority is also regarded as irregular expenditure.

Remuneration of councillors

- Payments to CoM Local Municipality councillors cannot exceed the upper limits of the salaries, allowances and benefits for those councillors as promulgated in the Public Officers Bearers Act.
- Any remuneration paid or given in cash or in kind to a person as a councillor or as a member of a political structure of CoM Local Municipality otherwise than in accordance with the law or as may be determined by the MEC from time to time including any bonus, bursary, loan, advance or other benefit, must be classified as irregular expenditure.

Irregular staff appointments

- No person may be employed in CoM Local Municipality unless the post to which he or she is appointed, is provided for in the CoM Local Municipality's staff establishment of the municipality as approved by the council.
- Any person who takes a decision contemplated in this Policy resulting in the municipality incurring irregular, unauthorised, fruitless and wasteful expenditure knowing that such decision is unlawful, will be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of such invalid decision.
- Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible and are detected and reported in a timely manner.

8.3. to procedure to deal with irregular expenditure

8.3.1 In terms of section 32(2)(b) *irregular expenditure* may only be written-off by *Council* if, after an investigation by a *Council* committee, the irregular expenditure is certified as irrecoverable. In other words, writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by *Council* as irrecoverable, based on the findings of an

investigation.

8.3.2 In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the *Council*.

8.3.3 There is no provision in the Local Government: Municipal Systems Act 32 of 2000 (MSA) that allows for a contravention of the Act to be condoned. Nevertheless, should a *municipality* wish to request that an act of non-compliance with any provision of the MSA be condoned, then the *Accounting Officer* should address the request to the Minister of Co-operative Governance and Traditional Affairs (COGTA), who is responsible for administering the MSA. The resultant expenditure should however be dealt with in terms of section 32(2) of the MFMA.

8.3.4 There is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer/s concerned.

8.3.5 *Council* may condone a contravention of the council approved Supply Chain Management (SCM) policy or a by-law giving effect to such policy, provided

that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case only National Treasury can condone a contravention of the SCM regulations. Any such requests must be accompanied by a full motivation and submitted to the National Treasury for consideration.

8.3.6 Once the *Accounting Officer* or *Council* becomes aware of any allegation of *irregular expenditure*, such allegation may be referred to the *Municipality's* own Internal Audit Unit or any other appropriate investigative body for investigation, to determine whether or not grounds exist for a charge of financial misconduct to be laid against the official / *political office bearer* liable for the expenditure.

8.4. Ratification of minor breaches of the procurement process

8.4.1 In terms of regulation 36(1)(b) of the Municipal Supply Chain Management Regulations, the supply chain policy of a *municipality* may allow the *Accounting Officer* to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely technical in nature. Where a *municipality's* supply chain management policy does not include this provision the *Accounting Officer* cannot exercise this ratification power. It is important to note that the *Accounting Officer* can only rely on this provision if the official or committee who committed the breach had the delegated authority to perform the function in terms of the *municipality's* adopted System of Delegations, which must be consistent with the MFMA and its regulations. The process to deal with minor breaches of the SCM policy is contained in Circular 68 from National Treasury.

8.4.2 It is important to note that the *Accounting Officer* may only ratify a breach of *process*, and not the irregular expenditure itself, which means that the '*irregular expenditure*' will still remain irregular. The responsibility to ratify the actual irregular expenditure vests with the *Council* and processes to deal with such matters are outlined in section 32(2) of the MFMA read

together with Regulation 74 of the Municipal Budget and Reporting Regulations (MBRR).

8.4.3 Regulation 36(2) of the SCM regulations states that the *Accounting Officer* must record the reasons for any deviations and report to the next *Council* meeting, and disclose this expenditure in a note to the annual financial statements. The emphasis is on recording the “reasons for any deviations and the associated expenditure”.

8.4.4 All breaches of the *Municipality's* SCM policy will result in *irregular expenditure*, in the event that expenditure is incurred; the monetary value of this *irregular expenditure* is not relevant. The issue of whether the breach is minor or material relates to the nature of the breach and the intent of those responsible for the breach; not to the monetary value thereof.

8.4.5 In terms of regulation 36 of the SCM Regulations, the *Accounting Officer* is responsible for deciding whether a particular breach of procurement processes is minor or material. In exercising this discretion, the *Accounting Officer* must be guided by:

- a) the specific nature of the breach: is it simply technical in nature, not impacting in any significant way on the essential fairness, equity, transparency, competitiveness or cost effectiveness of the procurement process?
- b) the circumstance surrounding the breach: are the circumstances justifiable or, at least, excusable?
- c) the intent of those responsible for the breach: were they acting in good faith?
- d) the financial implication as a result of the breach: what was the extent of the loss or benefit?

8.4.6 The *Accounting Officer* would have to consider the merits of each breach of the procurement processes and take a decision as to whether it should be classified as a minor or material breach. Note that this category only covers breaches of procurement processes in the *Municipality's* SCM policy and not breaches of other legislation or regulations. It is important to emphasize that, in terms of the regulation 36 of the SCM Regulations, only the

Accounting Officer can consider the ratification of minor breaches of procurement processes that are purely of a technical nature.

8.4.7 It is advisable that the *Accounting Officer* implement appropriate processes in the *Municipality's* SCM policy to investigate the nature of the breach so that an informed decision on corrective action can be made. In the event that a breach falls outside the classification of a minor breach, the *Accounting Officer* cannot follow the remedy contained in regulation 36 (1) (b).

8.4.8 The MFMA and the SCM regulations do not specify what these processes should be, however, it is recommended that *Council* investigate the nature of the breach through its Internal Audit Unit or any other investigation body and adopt corrective action as recommended by the Audit Committee.

8.4.9 The SCM regulation 36(2) specifies a separate process for reporting the ratification of minor breaches to *Council*, after they have been ratified by the *Accounting Officer*. The findings of any investigation must be reported to the *Accounting Officer* for consideration when making a decision in this regard. It is important to maintain documentary evidence for audit purposes.

8.5. Disciplinary charges for irregular expenditure

8.5.1 If, after having followed a proper investigation, the *Council* concludes that the political office-bearer or official responsible for making, permitting or authorising *irregular expenditure* did not act in good faith, then the *Municipality* must consider instituting disciplinary action and/or criminal charges against the liable person/s.

8.5.2 If the *irregular expenditure* falls within the ambit of the above description, then the *Council*, *Mayor* or *Accounting Officer* (as may be relevant) must institute disciplinary action as follows:

a) *Financial misconduct in terms of section 171 of the MFMA*: in the case of an official that deliberately or negligently:

- i. contravened a provision of the MFMA which resulted in irregular expenditure; or

ii. made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);

b) *Breach of the Code of Conduct for Municipal Staff Members*: in the case of an official whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code; and

c) *Breach of the Code of Conduct for Councillors*: in the case of a political office-bearer, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a resolution before council that contravened legislation resulting in irregular expenditure when implemented, or where the political office-bearer improperly interfered in the management or administration of the municipality.

8.6. Criminal charges arising from an act of irregular expenditure

8.6.1 If, after following a proper investigation, the *Council* concludes that the official or political office-bearer responsible for making, permitting or authorising an instance of *irregular expenditure* acted deliberately or negligently, then the *Council* must institute disciplinary procedures and lay criminal charges against the liable official or political office-bearer.

8.6.2 If the *irregular expenditure* was the result of a breach of the definition of irregular expenditure it must be considered in terms of section 173 of the MFMA.

8.7. Recovery of irregular expenditure

8.7.1 All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the *Council*, after investigation by a *Council* committee, as irrecoverable and is written off by the *Council*. In other words, the expenditure that is written off is therefore condoned.

8.7.2 *Irregular expenditure* resulting from breach of the Public Office-Bearers Act is an exception in that the *irregular expenditure* must be recovered from the political office-bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the *irregular expenditure*.

8.7.3 Once it has been established who is liable for the *irregular expenditure*, the *Accounting Officer* must, in writing, request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the *Municipality*.

9. FRUITLESS AND WASTEFUL EXPENDITURE

9.1. Principles on Fruitless and Wasteful Expenditure

9.1.1 No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.

9.1.2 *Fruitless and wasteful expenditure* is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

9.1.3 *Fruitless and Wasteful expenditure* will always emanate from an action instigated by an official that resulted in a financial loss to the institution.

9.1.4 *Fruitless and wasteful expenditure* can arise from a range of events, activities and actions from a simple oversight in performing an administrative task to a deliberate and/or an intentional transgression of relevant laws and regulations.

9.1.5 The most logical approach to address or assess whether or not expenditure can be classified as *fruitless and wasteful expenditure* is to ask a few elementary questions prior to the spending of municipal funds such as the following: -

a) Did the intended spending relate to the formal powers of the municipality?

A *municipality* may perform only those functions and powers conferred to it by the Constitution of the Republic of South Africa Act 108 of 1996 and relevant legislation. Any expenditure incurred relating to an act or conduct exercised outside those functions and powers may result in *fruitless and wasteful expenditure*

notwithstanding sufficient provision has been made on the budget and correct procedures were followed in incurring the expenditure.

b) Would the expenditure further the interest of the municipality?

The expenditure incurred to obtain a service, inventory and asset or to render a service, and so forth, must have been necessary and ideally unavoidable to enable the Municipality to exercise its functions and powers in accordance with the relevant legislation.

c) Was it essential to incur the intended expenditure?

It is of paramount importance to incur expenditure only when it is really necessary or essential for purposes as mentioned above. One should be satisfied that non-incurrence of such expenditure will have a negative impact on the lawful activities of the *Municipality*.

d) Was any other option perhaps available to prevent the intended expenditure or to reduce it?

This question overlaps to some extent with question above but it is more specific in the sense that it puts pressure on the *Municipality* to apply its mind and to consider all possible options. Should it appear after the expenditure has been incurred that a more effective and perhaps a less expensive option was at the disposal of the *Municipality* but that it was ignored or disregarded without good cause the expense will be regarded as fruitless and wasteful.

10. DEALING WITH IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

10.1 Any official who becomes aware of or suspects the occurrence of *irregular - or fruitless and wasteful expenditure* should immediately report in writing, the particulars of such expenditure which are within his or her knowledge, to the *Accounting Officer* or his or her delegate;

10.2 Once the *Accounting Officer* or his or her delegate has received the report alleging the occurrence of *irregular - or fruitless and wasteful expenditure*, the details of such expenditure must be recorded in a register for irregular or fruitless and wasteful expenditure. (Refer "Annexure A");

10.3 The *Accounting Officer* or his or her delegate should investigate the alleged *irregular - or fruitless and wasteful expenditure* to determine whether the expenditure meets the definition of irregular or *fruitless and wasteful expenditure*;

10.4 For accounting records purposes, during the investigation, the expenditure must remain in the expense account i.e. the *vote* of the department within the *Municipality*;

10.5 The results of the investigation will determine the appropriate action to be taken regarding such expenditure. Should the investigation reveal that the expenditure is not irregular - or *fruitless and wasteful* as defined, the details of the expenditure should be retained in the register for record purposes and to provide a full audit trail. The register must be updated to reflect the outcome of the investigation;

10.6 Should the investigation reveal that the expenditure is irregular - or *fruitless and wasteful* as defined above, the *Accounting Officer* must immediately report, in writing, the particulars of such expenditure to the *Mayor*. The register must be updated to reflect the outcome of the investigation, and;

10.7 The *Accounting Officer* must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to *Council* in terms of the MFMA.

11. ROLE OF COUNCIL COMMITTEES

11.1 In terms of regulation 74 the Municipal Budget and Reporting Regulations contained in Government Notice 393 of 17 April, 2009, a council committee appointed to investigate the recoverability or otherwise of any *unauthorised, irregular or fruitless and wasteful expenditure* must consider –

- (a) the measures already taken to recover such expenditure;
- (b) the cost of the measures already taken to recover such expenditure;
- (c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
- (d) submit a motivation explaining its recommendation to the council for a final decision.

11.2 The *Accounting Officer* must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.

11.3 The aforesaid committee may only comprise councillors and should not include full-time *political office bearers* of the *Municipality*. At least 3 councillors are required to constitute a committee.

11.4 It should be noted that the *Council* is required by resolution to certify that the expenditure concerned is considered irrecoverable and that it should be written off.

This power may not be delegated by the Council.

11.5 An audit committee established in terms of section 166 of the MFMA is not precluded from assisting the appointed committee with its deliberations.

12. INVESTIGATION AND DISCIPLINARY ACTIONS

12.1. In terms of sections 172 and 173 of the MFMA, an *Accounting Officer* is guilty of financial misconduct and an offence respectively if he or she:

- (a) wilfully or negligently fails to take effective and appropriate steps to prevent unauthorised, irregular or *fruitless and wasteful expenditure* as required by the MFMA;

(b) fails to take effective and appropriate disciplinary steps against an official in the department who makes or permits unauthorised, irregular or *fruitless and wasteful expenditure*; and

(c) fails to report unauthorised, irregular or *fruitless and wasteful expenditure* in terms of the MFMA.

12.2. As soon as the *Accounting Officer* becomes aware of an allegation of financial misconduct against an official, the *Accounting Officer* has a responsibility to ensure that an investigation is initiated into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts of the applicable legislation.

12.3. In terms of section 172 of the MFMA, an official of a department to whom a duty or power has been assigned commits an act of financial misconduct if that official wilfully or negligently fails to perform that duty or exercise that power in line with applicable legislation.

12.4. In terms of the MFMA, the *Accounting Officer* must take appropriate and effective disciplinary steps against an official who makes or permits *unauthorised, irregular or fruitless and wasteful expenditure*.

12.5. When an *Accounting Officer* determines the appropriateness of disciplinary steps against an official in terms of applicable legislation, he or she must take into account the following:

- (a) circumstances of the transgression;
- (b) extent of the expenditure involved; and
- (c) nature and seriousness of the transgression.

12.6. Disciplinary charges for *Irregular or Fruitless and Wasteful Expenditure*

12.6.1 If, after having followed a proper investigation, the *Council* concludes that the political office-bearer or official responsible for making, permitting or authorising irregular expenditure did not act in good faith, then the *Municipality* must consider instituting disciplinary action and/or criminal charges against the liable person/s. If the *irregular expenditure* falls within the ambit of the above description, then the *Council, Mayor or Accounting Officer* (as may be relevant) must institute disciplinary action as follows:

a) *Financial misconduct in terms of section 171 of the MFMA*: in the case of an official that deliberately or negligently:

i. contravened a provision of the MFMA which resulted in *irregular expenditure*; or

ii. made, permitted or *authorised an irregular expenditure* (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure).

b) *Breach of the Code of Conduct for Municipal Staff Members*: in the case of an official whose actions in making, permitting or authorizing an *irregular expenditure* constitute a breach of the Code; and

c) *Breach of the Code of Conduct for Councillors*: in the case of a political office-bearer, whose actions in making, permitting or authorizing an *irregular expenditure* constitute a breach of the Code. This would also include instances where a Councillor knowingly voted in favour or agreed with a resolution before *Council* that contravened legislation resulting in *irregular expenditure* when implemented, or where the political office-bearer improperly interfered in the management or administration of the *Municipality*.

12.7. Ratification of minor breaches of the procurement process

12.7.1 The *Accounting Officer* may ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely technical in nature provided that this provision is included in official or committee who committed the breach had the delegated authority to perform the function.

12.8. Criminal charges arising from an act of *Irregular or Fruitless and Wasteful expenditure*

(a) If, after following a proper investigation, the *Council* concludes that the official or political office-bearer responsible for making, permitting or authorising an instance of irregular expenditure acted deliberately or

negligently, then the *Council* must institute disciplinary procedures and lay criminal charges against the liable official or political office-bearer.

(b) If the irregular expenditure was the result of a breach of the definition of irregular expenditure, it must be considered in terms of section 173 of the MFMA.

12.9 It is also critically important that the Municipal Regulations on Financial Misconduct (dated 30 May 2014 Government Gazette number 37682) be taken into account when dealing with disciplinary matters relating to alleged financial misconduct.

13. RECOVERY

13.1. Notwithstanding the disciplinary processes, the *Accounting Officer* must identify the official who is responsible for *the unauthorised, irregular or fruitless and wasteful expenditure*.

13.2. The relevant information would normally be evident from the investigation process.

13.3. The amount of the expenditure should be recovered from the official concerned by taking the following steps:

(a) The *Accounting Officer* must write to the official concerned and request him or her to pay the amount within 30 days or in reasonable instalments.

(b) Reasonable instalments will vary from case to case depending on such factors as the total amount involved and the affordability level of the official concerned.

(c) The *Accounting Officer* is expected to apply his or her discretion judiciously or prudently.

13.4. Should the official refuse or fail to pay as requested, the matter may be referred to the legal department of the *Municipality* or an attorney for recovery or any other appropriate measure.

13.5. If the amount is not recoverable, the *Accounting Officer* may request *Council* to certify the debt as irrecoverable and write it off in terms of the municipal adopted policy.

13.6. All instances of *irregular expenditure* must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the *Council*, after investigation by a Council Committee, as irrecoverable and is written off by the *Council*.

13.7. Irregular expenditure resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office-bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the irregular expenditure.

13.8. Once it has been established who is liable for the irregular expenditure, the *Accounting Officer* must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the *municipality*.

14. REPORTING

14.1 Immediately upon discovery of *unauthorised, irregular or fruitless, and wasteful expenditure*, the *Accounting Officer* must report the details of the *unauthorised, irregular or fruitless, and wasteful expenditure* to the Mayor. The report may include inter alia the following details:

- (a) amount of the *unauthorised, irregular or fruitless and wasteful expenditure*;
- (b) name of the *vote* (Directorate or Cost Centre) from which the expenditure was made;
- (c) reason why the *unauthorised, irregular or fruitless and wasteful expenditure* could not be avoided;
- (d) name and title of the responsible official;
- (e) details of any recovery steps to date taken or to be taken by the *municipality*; and
- (f) details of any disciplinary steps taken to date or to be taken by the *municipality*.

PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UIF&W.

- If any official or councillor who has complied with this policy and as a result thereof has been subjected to intimidation, victimisation, threats such official or

councillor should immediately report such threats, victimisation or intimidation immediately to the MM or the Mayor where applicable.

- The MM or Mayor must immediately take appropriate action to ensure that protection of the official or councillor after receiving the above report.**
- Where the nature of the threats warrants such action, the threats should be reported to the SAPS by the official concerned, the MM or the Mayor, where applicable.**

14.2 The *Accounting Officer* must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to the *Council* in terms of the MFMA.

14.3 All *unauthorised, irregular or fruitless and wasteful expenditure* must be reported as a note to the Annual Financial Statements.

14.4 The *Accounting Officer* must record the reasons for any deviations in terms of SCM regulations and report to the next *Council* meeting and disclose this expenditure in a note to the Annual Financial Statements.

15. REGULAR REVIEW OF THE UNAUTHORISED IRREGULAR OR FRUITLESS AND WASTE EXPENDITURE REGISTER

15.1 The unauthorised, irregular or *fruitless and wasteful expenditure* register should be reviewed on a monthly basis by the Chief Financial Officer (CFO) of the *Municipality*. This review will ensure that *unauthorised, irregular or fruitless and wasteful expenditure* are adequately disclosed in the Annual Financial Statements, dealt with, and recorded and that no mathematical errors exist.

16. ACCOUNTING TREATMENT OF A UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

16.1 *Unauthorised, irregular or fruitless and wasteful expenditure* identified during one financial period, but not paid in the specific period should be recorded in the following financial year.

16.2 The cumulative *unauthorised, irregular or fruitless and wasteful expenditure* incurred at financial year end should be adequately and appropriately disclosed in the annual financial statements of the *Municipality*.

16.3 Recognition and measurement of unauthorised, irregular or *fruitless and wasteful expenditure* shall be treated in terms of the latest available guidelines for the compilation of the Annual Financial Statements issued to municipalities by National Treasury on an annual basis and be in line with the latest GRAP requirements.

17. DISCLOSURE OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

17.1 Section 125(2)(d)(i) of the MFMA requires Accounting Officers and Accounting Authorities to disclose in the notes to the Annual Financial Statements of the *municipality* particulars of any material unauthorised, irregular or *fruitless and wasteful expenditure* incurred during the financial year.

17.2 Particulars of any criminal or disciplinary steps taken as a result of such unauthorised, irregular or *fruitless and wasteful expenditures* should be disclosed in the notes to the Annual Financial Statements.

18. PROCESS OF IDENTIFYING UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

18.1 Transaction is identified during its primary stage by the Directorate/Sub- Directorate. If not identified at this stage the transaction can also be identified by the Accountant responsible for the Directorate or Sub- Directorate.

18.2 During this process the transaction must be classified according to the necessary category.

MAINTAINING OF REGISTER FOR UIF & W

- Council must maintain a register of all incidents of unauthorised, irregular, fruitless and wasteful expenditure:
 - a) This register will be maintained by the CFO for all officials other than the CFO and MM;
 - b) A separate register must be maintained by the MM for expenditure incurred by CFO;
 - c) A separate register must be maintained by the Mayor for expenditure incurred by the MM; and
 - d) The Speaker will maintain a register for expenditure incurred by the Mayor and Councillors.
- These registers must be updated on a monthly basis.

CONSEQUENCES OF NON-COMPLIANCE

- Any official or councillor who does not comply with their reporting duties in terms of this policy could be found guilty of Financial Misconduct.
- Any councillor or official of CoM Local Municipality will be committing an act of financial misconduct if that councillor or official deliberately or negligently makes or permits or instructs another official of CoM Local Municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure.

19. OPERATIONALISING THE POLICY

19.1 The *Accounting Officer* will set up relevant Committee/s that may include officials from the (i) Internal Audit Unit, (ii) Office of the Municipal Manager, (iii) Office of the Chief Operating Officer, (iv) the *Budget and Treasury*, and any relevant stakeholder (internally or externally) in order to operationalise the *Policy* administratively. Structures such as the Municipal Public Accounts Committee (MPAC) are established by Council and mandated as such.

THE CITY OF MATLOSANA



**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL (U.I.F + W) EXPENDITURE
PROCEDURE MECHANISM**

PART : B

Procedure mechanism for dealing with: unauthorised, irregular, fruitless/ wasteful expenditure and the accounting treatment and completion of the disclosures required on unauthorised, irregular and fruitless and wasteful expenditure

The main Aim of this manual

Conclusion

To provide the municipality with a base by which the municipality can define, identify and respond to instances of unauthorised, irregular, fruitless and wasteful expenditure.

To introduce a Register of unauthorised, irregular, fruitless and wasteful expenditure all transactions falling within this category.

To enforce the investigation of All expenditure falling into the above category as required by the MFMA, recommendations submitted to Council for consideration and decisions taken to attend to such matters, where appropriate.

To enforce or ensure that consequence management framework has been strengthened as it relates to financial misconduct with the establishment of Disciplinary Board and clarifying the roles and responsibilities of Municipal Public Accounts Committees, and other functionaries.

To give content to the U I F and W Policy and section 32 of the MFMA

Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The purpose of this Circular is to provide clarity on the procedures to be followed when dealing with unauthorised, irregular or fruitless and wasteful expenditure as defined in section 1 of the Municipal Finance Management Act (MFMA).

The Municipality collect monies from the public in the form of rates, taxes, levies, surcharges, duties and service charges, receive grants from national and provincial government, invest surplus cash and borrow for capital expenditure or bridging finance for short term purposes. These resources are appropriated by Council for the purpose of fulfilling its powers and functions, primarily to deliver services, in accordance with their mandate as set out in sections 151,153 and 156 of the Constitution.

In terms of section 4(2)(a) of the Municipal Systems Act (MSA) the council has a duty to use the resources of the municipality in the best interest of the local community. This duty is extended to individual councillors through the Code of Conduct for Councillors which states that a councillor must:

REVIEW OF THE UIF & W POLICY

- i. “perform the functions of office in good faith, honestly and in a transparent manner, and
- ii. at all times act in the best interests of the community and in such a way that the credibility and integrity of the municipality are not compromised.”

Attached to this policy is a Register (Annexure A) which will assist the municipality in recording, keeping track and managing the categories of expenditure mentioned above in a more transparent and accountable manner. The Register will be a central source of information concerning these types of expenditures for Council and relevant external stakeholders, by clearly recording the details of the transaction, the type of expenditure, the person liable for the expenditure and what measures were taken by the municipality to address the matter.

Each Council therefore has a duty to introduce and adopt policies and processes to:

- a) Prevent unauthorised, irregular, fruitless and wasteful expenditure;
- b) Identify and investigate unauthorised, irregular, fruitless and wasteful expenditure;
- c) Respond appropriately in accordance with the law; and
- d) To address instances of unauthorised, irregular, fruitless and wasteful expenditure conclusively.

Defining unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality’s approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

Section 15 of the MFMA deals with appropriation of funds for expenditure and provides that a municipality may, except where otherwise provided in the MFMA, incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget. With reference to MFMA section 1 (a) in the definition above, a municipality’s budget is divided into an operational budget and a capital budget. Overspending must be determined in relation to both the operational budget and the capital budget.

With reference to MFMA section 1(b) – a municipality’s operational and capital budgets are divided into ‘votes’ which represent those components of the budget that have amounts appropriated for the financial year, for different departments or functional areas. The Municipal Budget and Reporting Regulations (MBRR) prescribe the structure and formats of municipal budgets, including votes, in Tables A1 to A10. Votes are informed by Table A3 (Budgeted Financial Performance: revenues and expenditure by municipal vote) and Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding). Budget Table A4 (Budgeted Financial Performance: revenue and expenditure) by implication is approved by the council and as such must also be taken into consideration when determining unauthorised expenditure. In other words, when considering unauthorised expenditure from an operating budget point of view, both Table A3 and A4 (read in conjunction with the supporting table SA1) of the MBRR would have to be considered. Overspending must also be determined in relation to each of the votes on *both* the operational budget and the capital budget. Where Council has approved a *virement policy* that allows the accounting officer to make limited shifts of funds between votes, this must also be taken into account.

With reference to MFMA section 1(c) – funds appropriated in a vote for a department may not be used for purposes unrelated to the functions of that department. In other words, an accounting officer or other official may not use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget. Where a Council has approved a *virement policy*, shifts made in accordance with that policy may be allowed, and must be taken into account when reviewing such expenditure.

With reference to MFMA section 1(d) – in addition to appropriating funds for a department’s vote, the Council may also appropriate funds for a specific purpose within a department’s vote, for example, for specific training initiatives or a capital project. Funds that have been designated for a specific purpose or project may not be used for any other purpose.

With reference to MFMA section 1(e) – the items referred to in the definition of ‘allocation’ are national and provincial conditional grants to a municipality and other ‘conditional’ allocations to the municipality from another municipality or another organ of state. Any use of conditional grant funds for a purpose other than that specified in relevant conditional grant framework is classified as unauthorised expenditure.

With reference to MFMA section 1(f) – section 67 of the MFMA regulates the transfer of municipal funds to organisations and bodies outside government. In terms of this section, a municipality may only provide grants to organisations and NOT individuals. Therefore, any grant to an individual is unauthorised expenditure, unless it is in terms of the municipality’s indigent policy or bursary scheme.

Therefore, valid expenditure decisions can only be made by council in terms of a budget or an adjustments budget. It follows that only the council may authorise instances of unauthorised expenditure and council must do so through an adjustment budget. This principle is further reiterated in section 32(2)(a)(i) of the MFMA read with regulation 25 of the MBRR which states that unauthorised expenditure must be authorised by the municipality in an adjustments budget that is approved by the municipal council. This is the rationale for the provisions in regulation 23(6) of the MBRR which provides the legal framework for the authorisation of unauthorised expenditure.

Expenditures that are NOT classified as unauthorised expenditure

Given the definition of unauthorised expenditure, the following are examples of expenditures that are NOT unauthorised expenditure:

- (i) Any over-collection on the revenue side of the budget as this is not an expenditure; and
- (ii) Any expenditure incurred in respect of:
 - any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
 - re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a 'vote' on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and
 - overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in an overspending of a 'vote' on the main budget Table A5.

Unauthorised expenditure on “non-cash” items

Municipalities have raised concerns over non-cash items being classified as unauthorised expenditure owing to the total amount of the budget being exceeded. Such expenditure relates to debt impairment, depreciation, asset impairment, transfers and grants as appropriated in Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) of the MBRR.

Although these expenditures are considered non-cash items as there is no transaction with any service provider or supplier, an under provision during the budget compilation process is a material misstatement of the surplus or deficit position of the municipality. This could be the result of poor planning, budgeting or financial management, or unknown events that gave rise to the asset and debt impairment after adoption of the budget. In this regard Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) must be read in conjunction with supporting Table SA1 of the MBRR.

We are aware of the challenge around correcting errors or omissions relating to actuarial calculations from a budget implementation point of view, given the timing of such calculations. In the interim, this could be addressed through an adjustment in the budget in February each year but before financial year end to correct any mistakes or errors relating to the actuarial calculations.

Unforeseen and unavoidable expenditure

Unforeseen and unavoidable expenditure is discussed in section 29 of the MFMA and reads as follows:

- (1) The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.
- (2) Any such expenditure—
 - (a) must be in accordance with any framework that may be prescribed;
 - (b) may not exceed a prescribed percentage of the approved annual budget;
 - (c) must be reported by the mayor to the municipal council at its next meeting; and
 - (d) must be appropriated in an adjustments budget.
- (3) If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies.

The framework referred to in section 29(2)(a) of the MFMA is prescribed in chapter 5 of the MBRR, and contained in regulation 71 and 72. The following shall apply:

- (i) the amount the mayor authorised as unforeseen and unavoidable expenditure exceeds the monetary limits set in regulation 72 of the MBRR, the amount in excess of the limit is unauthorised;
- (ii) the reason for the mayor authorising the unforeseen and unavoidable expenditure does not fall within the ambit of regulation 71(1) of the MBRR, the expenditure is unauthorised;
- (iii) the reason for the mayor not authorising the unforeseen and unavoidable expenditure falls outside the ambit of regulation 71(2) of the MBRR, the expenditure is unauthorised; and
- (iv) the council does not appropriate the expenditure in an adjustments budget that is passed within 60 days after the expenditure was incurred, the expenditure is unauthorised.

Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

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

The concept of *fruitless and wasteful expenditure* is founded on public administration and accountability principles, to promote "efficient, economic and effective use of resources and the attainment of value for money". The idea is also founded on the fact that the council, the mayor and the accounting officer have a fiduciary responsibility to ensure that municipal resources are used in the best interests of the municipality and the local community.

In this context 'expenditure' refers broadly to processes that must be followed, transactions with service providers or suppliers and the use of other resources belonging to the municipality. The phrase 'made in vain' indicates that the municipality derived no value for money from the expenditure or the use of other resources. Fruitless and wasteful expenditure must fulfill both the conditions in the definition, namely, that it was made in vain and it would have been avoided had reasonable care been exercised. The treatment of such expenditure is dealt with later in this Circular.

Process to be followed when dealing with unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure

In considering the authorisation of unauthorised expenditure, council must consider the following factors:

- (i) Has the matter been referred to Council for a determination and decision?
- (ii) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?
- (iii) Has the incident been referred to a council committee for investigation and recommendations?
- (iv) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- (v) Has the accounting officer informed Council, the mayor or the executive committee that a particular decision would result in an unauthorised expenditure as per section 32(3) of the MFMA?

- (vi) Are there good grounds shown as to why an unauthorised expenditure should be authorised? For example:
- the mayor, accounting officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorised expenditure;
 - the mayor, accounting officer or official was acting in good faith when making and permitting unauthorised expenditure; and
 - the municipality has not suffered any material loss as a result of the action.

In these instances, the council should authorise the unauthorised expenditure. Depending on the responses received in relation to each question, municipal councils are advised to also include the element of consequence management as part of the above consideration. In this regard, municipalities are referred to the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings in assessing whether or not acts of financial misconduct were committed.

Adjustments budgets to authorise unauthorised expenditure

Section 15 of the MFMA provides that a municipality may incur expenditure only in terms of an approved budget. This is confirmed by section 32(2)(a)(i) of the MFMA that provides that council may only authorise unauthorised expenditure in an adjustments budget.

Sections 28(c) and 28(g) of the MFMA, read together with regulations 23(1), 23(2),

23(4) and 23(6) of the MBRR, discusses when council may authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

- (a) **Adjustments budget for unforeseen and unavoidable expenditure:** An adjustments budget to allow council to provide *ex post* authorisation for unforeseen and unavoidable expenditure that was authorised by the mayor in terms of section 29 of the MFMA must be tabled in council at the "first available opportunity" or within the 60 days after the expenditure was incurred (see section 29(3) of the MFMA). Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure, and may still be authorised in one of the other adjustments budgets process described below.
- (b) **Main adjustments budget:** In terms of regulation 23(6)(a) of the MBRR, council may authorise unauthorised expenditure in the adjustments budget which may be tabled in council "at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year". Therefore unauthorised expenditure that occurred in the first half of the current financial year may be authorised by council in this adjustments budget. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.
- (c) **Special adjustments budget to authorise unauthorised expenditure:** In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. Kindly refer to MFMA Circular 63 for clarification in terms of the time period referred to in section 127(2) of the

REVIEW OF THE UIF & W POLICY

MFMA. This special adjustments budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.” This special adjustments budget therefore deals with:

- unauthorised expenditure that occurred in the first half of the previous financial year that was not included in the main adjustments budget or that was included but referred back for further investigation or further information;
- unauthorised expenditure that occurred in the second half of the previous financial year, and
- any unauthorised expenditure identified by the Auditor-General during the annual audit process.

The timing of this special adjustments budget requires:

- the municipality to report all the unauthorised expenditure in its annual financial statements (thus ensuring transparency regarding its performance with implementing the budget);
- the Auditor-General to audit the municipality’s disclosure of its unauthorised expenditure and to add any further unauthorised expenditure identified in the audit process; and
- sufficient time (but also places a time limit) for instances of unauthorised expenditure to be properly investigated before being presented to council for a decision on whether or not to authorise it; the investigation is normally done by a council committee.

With regard to the accounting disclosure of unauthorised expenditure in the books of the municipality in terms of section 125 of the MFMA, we are aware that not all the unauthorised expenditure for a specific period relate to cash transactions. This therefore result in a distorted picture when reporting is done on this particular item in that the readers of the annual financial statements more often than not see unauthorised expenditure relating to non-cash items as money that was lost by the municipality. It is for this reason that we advise municipalities to distinguish in their annual financial statements between unauthorised expenditure relating to cash and non-cash items. This will provide readers with a clear picture of expenditure that was not in terms of the council approved annual budget (cash items) and those instances where incorrect estimations were made which resulted in unauthorised expenditure (non-cash items).

Recovery of unauthorised expenditure

All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been certified as irrecoverable by the council after an investigation by a council committee in terms of section 32(2)(a)(ii) of the MFMA.

Once it has been established who is liable for the unauthorised expenditure, the accounting officer must, in writing, request that the liable official or political officebearer pay the amount within 30 days or in reasonable installments. If the person fails to comply with the request, the matter must be handed to the municipality’s legal division for the recovery of the debt through the normal debt collection process.

Municipalities and municipal entities are reminded to incorporate consequence management processes as part of the expenditure recovery assessment. In other words, whenever unauthorised expenditure is incurred and it is referred to the council committee for investigation in terms of section 32(2)(a)(ii) of the MFMA, the committee 38 must also assess whether or not the action or failure to act by any official constitute financial misconduct as defined in sections 171 and 172 of the MFMA and make an appropriate recommendation to council for further action in

terms of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

Irregular expenditure

In terms of section 32(2)(b), irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. In other words, writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable.

With reference to (a) as defined, - in terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. Municipal Councils therefore have no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its Regulations. Section 32(2)(b) of the MFMA provides the council only with the power to consider and resolve on the expenditure. Municipal Councils are therefore advised to ensure that the wording of their council resolutions are consistent with the wording in section 32(2)(b) of the MFMA i.e. "council hereby certify the expenditure as irrecoverable and resolve that it be written off or for recovery of the funds". Municipal councils should note that its ability to resolve on the irregular expenditure is not dependent on National Treasury's decision in relation to the municipality's application for condonation in terms of section 170. It is solely dependent on the investigation and recommendation from the council committee. Whatever the municipal council resolves is sufficient for the municipality to adjust its annual financial statements from an accounting disclosure perspective. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the Council and is elaborated on later in this Circular.

With reference to (b) as defined – there is no provision in the Municipal Systems Act that allows for a contravention of the Act to be condoned. Nevertheless, should a municipality wish to request that an act of non-compliance with any provision of the MSA be condoned, then the accounting officer should address the request to the Minister of Co-operative Governance and Traditional Affairs, who is responsible for administering the MSA. The resultant expenditure should however be dealt with in terms of section 32(2) of the MFMA.

With reference to (c) as defined – there is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office bearer concerned.

With reference to (d) as defined – a council may condone a contravention of the council approved SCM policy or a by-law giving effect to such policy, provided that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case (a) applies and then only National Treasury can condone a contravention of the SCM regulations. Any such requests must be accompanied by a full motivation and submitted to mfma@treasury.gov.za for consideration. Municipalities and municipal entities are cautioned that this is an onerous process and should not be taken lightly.

Once the Accounting Officer or Council becomes aware of any allegation of irregular expenditure, such allegation may be referred to the municipality's disciplinary board or any other appropriate investigative body for investigation, to determine whether or not grounds exist for a charge of financial misconduct to be laid against the official liable for the expenditure. Further guidance on the processes to follow in investigating allegations of financial misconduct can be found in the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings read with MFMA Circular 76.

Ratification of minor breaches of the procurement process

In terms of regulation 36(1)(b) of the Municipal Supply Chain Management Regulations, the supply chain policy of a municipality may allow the accounting officer to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely technical in nature. Where a municipality's supply chain management policy does not include this provision the accounting officer cannot exercise this ratification power. It is important to note that the accounting officer can only rely on this provision if the official or committee who committed the breach had the delegated authority to perform the function in terms of the municipality's adopted System of Delegations, which must be consistent with the MFMA and its regulations. The process to deal with minor breaches of the SCM policy is contained in a flowchart, refer to (Annexure B).

Note that the accounting officer may only ratify a breach of *process*, and not the irregular expenditure itself, which means that the 'irregular' expenditure will still remain irregular. The responsibility to ratify the actual irregular expenditure vests with the Council and processes to deal with such matters are outlined in section 32(2) of the MFMA read together with Regulation 74 of the MBRR.

Regulation 36(2) states that the accounting officer must record the reasons for any deviations and report to the next Council meeting, and disclose this expenditure in a note to the annual financial statements. The emphasis is on recording the "reasons for any deviations and the associated expenditure".

All breaches of a municipality's SCM policy will result in irregular expenditure, in the event that expenditure is incurred; the monetary value of this irregular expenditure is not relevant. The issue of whether the breach is minor or material relates to the nature of the breach and the intent of those responsible for the breach; not to the monetary value thereof.

In terms of regulation 36 of the SCM Regulations, the accounting officer is responsible for deciding whether a particular breach of procurement processes is minor or material. In exercising this discretion the accounting officer must be guided by:

- a) the specific nature of the breach: is it simply technical in nature, not impacting in any significant way on the essential fairness, equity, transparency, competitiveness or cost effectiveness of the procurement process?
- b) the circumstance surrounding the breach: are the circumstances justifiable?
- c) the intent of those responsible for the breach: were they acting in good faith?
- d) the financial implication as a result of the breach: what was the extent of the loss or benefit?

REVIEW OF THE UIF & W POLICY

All the factors above must be considered before the accounting officer exercise his or her discretion. The accounting officer would have to consider the merits of each breach of the procurement processes and take a decision as to whether it should be classified as a minor or material breach.

Note that this category only covers breaches of procurement processes in the municipality's SCM policy and not breaches of other legislation or regulations.

It is important to highlight that, in terms of the regulation 36 of the SCM Regulations, only the accounting officer can consider the ratification of minor breaches of procurement processes that are purely of a technical nature.

It is advisable that the accounting officer implement appropriate processes in the municipality's SCM policy to investigate the nature of the breach so that he/she can make an informed decision on corrective action. In the event that a breach falls outside the classification of a minor breach, the accounting officer cannot follow the remedy contained in regulation 36 (1) (b).

The MFMA and the SCM regulations do not specify what these processes should be, however, it is recommended that accounting officer investigate the nature of the breach through its Internal Audit Unit or any other investigation body and adopt corrective action as recommended by the Audit Committee.

The SCM regulation 36(2) specifies a separate process for reporting the ratification of minor breaches to council, after they have been ratified by the accounting officer. The findings of any investigation must be reported to the accounting officer for consideration when making a decision in this regard. It is important to maintain documentary evidence for audit purposes.

Disciplinary and criminal charges for unauthorised, irregular, fruitless and wasteful expenditure

If, after having followed a proper investigation, the council concludes that the political office-bearer or official responsible for making, permitting or authorising unauthorised, irregular, fruitless and wasteful expenditure did not act in good faith or committed an act of financial misconduct, then the municipality must consider instituting disciplinary action and criminal charges against the liable person/s in terms of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

If the action of the person(s) liable falls within the ambit of the above description, then the council, mayor or accounting officer (as may be relevant) must institute disciplinary charges as follows:

- (i) *Financial misconduct in terms of section 171 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings:* in the case of an official that deliberately or negligently:
 - contravened a provision of the MFMA which resulted in unauthorised, irregular, fruitless and wasteful expenditure; or

- made, permitted or authorised an irregular expenditure (due to noncompliance with any of legislation mentioned in the definition of irregular expenditure);
- (ii) *Breach of the Code of Conduct for Municipal Staff Members*: in the case of an official whose actions in making, permitting or authorising unauthorised, irregular, fruitless and wasteful expenditure constitute a breach of the Code; and
- (iii) *Breach of the Code of Conduct for Councillors*: in the case of a political office-bearer, whose actions in making, permitting or authorising unauthorised, irregular, fruitless and wasteful expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a resolution before council that contravened legislation resulting in unauthorised, irregular, fruitless and wasteful expenditure when implemented, or where the political officebearer improperly interfered in the management or administration of the municipality.

Recovery of irregular expenditure

All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council in terms of section 32(2)(b) of the MFMA. The National Treasury has issued a Municipal Public Accounts Committee (MPAC) Guideline and Toolkit, supported by MFMA Circular 92. This can also be used to clarify the roles and responsibilities of MPAC and for training purposes. Members of the MPAC who would be considering the recoverability of all unauthorised, irregular, fruitless and wasteful expenditure are encouraged to use this Guide as they perform their responsibilities in terms of section 32 of the MFMA.

Irregular expenditure resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office bearer to whom it was paid, who might not have been responsible for making, permitting or authorising the irregular expenditure.

Once it has been established who is liable for the irregular expenditure, the accounting officer must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable installments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality. The municipality can also institute measures to recover money's paid from suppliers of assets, goods or services not received, as may be appropriate.

Municipalities and municipal entities must take note of the Public Audit Amendment Act, Act 5 of 2018, and regulations issued, which amongst others, provides for the Auditor-General to issue a certificate of debt where an accounting officer or accounting authority has failed to recover losses from a responsible person and to instruct the relevant executive authority to collect the debt.

Quantifying the full extent of irregular expenditure

The municipality must quantify the total amount of irregular expenditure unless it is impractical to do so. In terms of GRAP3, applying a requirement as impracticable is when the municipality cannot apply it after making every 42 reasonable effort to do so. Insufficient time cannot be used as a justification for impracticability.

The municipality's exercise of quantifying the irregular expenditure must focus on the year under review. However, if the non-compliance was identified on a multi-year contract that was identified in prior years, the irregular expenditure on that specific contract must be quantified from inception of the contract. Furthermore, if the municipality was qualified on the completeness of irregular expenditure in the prior year(s), the municipality's exercise of quantifying the full extent of the irregular expenditure must date back to the year the qualification was reported, in order to ensure that the qualification is sufficiently addressed.

A municipality may only disclose impracticability after making every reasonable effort to quantify the full extent of the irregular expenditure.

When disclosing this expenditure, the parent municipality will disclose it as unauthorised expenditure since council approves a consolidated budget incorporating allocations for both the parent municipality and the municipal entity. The municipal entity will disclose the same amount as irregular expenditure.

Fruitless and wasteful expenditure

The processes to respond appropriately to fruitless and wasteful expenditure are similar to the following three processes outlined for irregular expenditure:

- (i) *disciplinary charges* against officials and political office bearers;
- (ii) *criminal charges* against officials and political office-bearers; and
- (iii) *recovery* of the fruitless and wasteful expenditure from the liable persons.

The description of the categories of irregular expenditure in the above three instances can be applied directly to fruitless and wasteful expenditure. The difference is that fruitless and wasteful expenditure can arise in any circumstance and is not dependent on non-compliance with any legislation.

Council should follow section 32(2)(b) of the MFMA when dealing with instances of fruitless and wasteful expenditure.

Register of unauthorised, irregular, fruitless and wasteful expenditure

All instances of unauthorised, irregular, fruitless and wasteful expenditures must be reported to the mayor, the MEC for finance and local government in the province, the Auditor-General, disclosed in the annual report, and to council. This disclosure will assist in addressing challenges relating to expenditure control and transparent reporting in order to strengthen accountability and give full effect to the compliance, monitoring, reporting and support measures introduced by the Provincial and National Treasuries as required in the MFMA.

The introduction of a 'register' to capture unauthorised, irregular, fruitless and wasteful expenditure will ensure that financial management in municipalities and municipal entities are improved, resulting in changes to audit outcomes.

The municipality must prevent the instances of prohibited expenditures. The accounting officers need to ensure that the municipality has proper processes in place to record and manage prohibited expenditures, should they occur. Therefore, as part of complying with sections 62(1)(d) and 95(d) of the MFMA, accounting officers (who may delegate the task to the chief financial officer) must set-up and maintain a *Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures*.

Annexure A sets out the minimum information that should appear in such a *Register*. The aim of the *Register* is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences flowing from such expenditures until all the issues that gave rise to the expenditures are properly resolved in accordance with the legal framework.

Municipality is required to implement a register of unauthorised, irregular, fruitless and wasteful expenditure for all transactions falling within this category and ensure it is updated on a continuous basis. This information will allow management to address such matters more thoroughly and within appropriate timeframes. This information can also be used to implement mitigation measures, which may form part of the internal and external audit process.

Disclosure of irregular expenditure in the Annual Financial Statement

In terms of section 125(2) of the MFMA, the notes to the annual financial statements of a municipality and municipal entity must include, amongst others, particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure that occurred during the financial year, and whether these are recoverable.

Accounting Treatment and Disclosure for Unauthorised, Irregular, Fruitless & Wasteful Expenditure

1 Overview

The purpose of this Illustrative Annexure is to assist municipality (henceforth referred to collectively as municipalities) with the accounting treatment and completion of the disclosures required on unauthorised, irregular and fruitless and wasteful expenditure, in order to comply with the Municipal Finance Management Act (MFMA) and Standards of Generally Recognised Accounting Practice (GRAP).

This annexure does not address legislative compliance procedures with regards to the process that municipality should follow when dealing with unauthorised, irregular and fruitless and wasteful

expenditure, as defined in section 1 of the (MFMA). These aspects are addressed by the MFMA Circular No 68 (the Circular).

It is possible that an irregularity may be identified before a financial transaction can be made, however, this annexure will not cover such instances as these are matters which amount to noncompliance with laws and regulations. The guide is specifically focused on matters where accounting guidance is required for financial transactions relating to irregular expenditure. Refer to section 5 of this document for accounting implications on fruitless and wasteful expenditure as well as unauthorised expenditure.

2 Accounting for Irregular Expenditure (IE)

According to section 125(2)(d) of the MFMA, municipalities are required to disclose all irregular expenditure identified. This entails disclosure in the notes to the financial statements once identified. Once irregular expenditure is identified, processes of Recovery/Write-off by Council in terms of section 32(2)(b) of the MFMA must occur.

This annexure focuses on the accounting implications of the Recovery/Write-off process by Council in terms of section 32(2)(b) of the MFMA.

3 Accounting disclosure and flow process for Irregular Expenditure

Figure 1 below shows the framework under which accounting disclosure for irregular expenditure has been considered in terms of legislation.

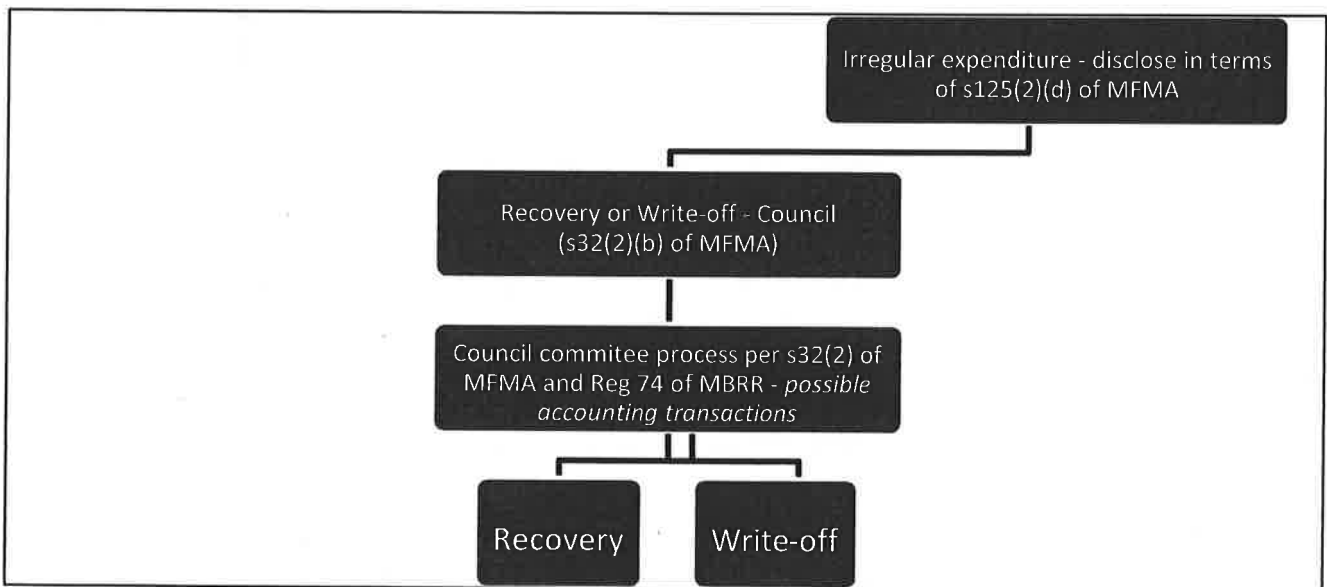


Figure 1: Accounting disclosure process flow according to legislation

Generic IE process flow stages

Figure 2 below shows the Irregular Expenditure process flow unfolding in the various outlined stages:

REVIEW OF THE UIF & W POLICY

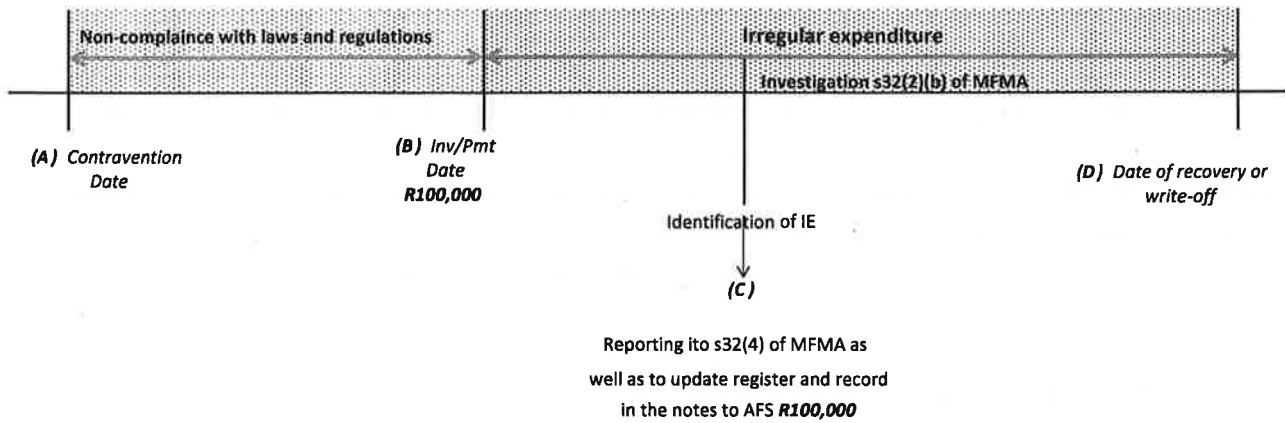


Figure 2: Generic process flow

- **Stage A:** indicates the date of contravention as per the definition of irregular expenditure in section 1 of the MFMA;
- **Stage B:** indicates the applicable GRAP standards will be followed in recognising and disclosing the transaction in accordance to its substance;
- **Stage C:** indicates the identification date of the irregular expenditure, which is disclosed in the notes to the financial statements;
- **Stage D:** shows the date of council adopting the council committee recommendations, where irregular expenditure is either recovered or written-off.

Irregular expenditure identified at stage C will relate to expenditure incurred in the current or prior period(s). In the instance of expenditure incurred in the prior period(s), cognisance will need to be taken of the Standard of GRAP on *Accounting Policies, Change in Accounting Estimates and Errors* (GRAP 3). GRAP 3 defines prior period errors as omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorised for issue; and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Therefore in the context of irregular expenditure, to an extent that the municipality (equally applicable to a municipal entity) was aware of an identified financial transaction constituting an irregular expenditure which existed at financial year end, before those financial statements were authorised for issue (date of audit report), not adequately accounted for & disclosed in the financial statements, this irregular expenditure will constitute a prior period error in accordance with *GRAP 3 Accounting Policies, Change in Estimates and Errors*.

However, to an extent that there existed a financial transaction which is an irregular expenditure which existed when financial statements for those periods were authorised for issue but which was only identified in the current year, such a financial transaction will not constitute a prior period error but will be an irregular expenditure identified in the current year but which relates to prior reporting period, therefore

the notes to the financial statements should take this instance into consideration and the register should be adjusted accordingly.

4 Assumptions

Underlying the illustrative examples below are the following assumptions:

1. Identification of irregular expenditure in current year refers to irregular expenditure incurred during the current financial period, identified before the financial statements are authorised for issue.
2. In instances where the irregular expenditure is identified after the financial statements are authorised for issue, such financial statements will not reflect this identified irregular expenditure as per GRAP 14.24. Principles of Standard of GRAP on Events after reporting date (GRAP 14) must be complied with.
3. For purposes of GRAP 14, a condition would exist on the date when expenditure is incurred pursuant to the contravened law, regulation, council policy or by-law, etc.

If for example the contravention of law, regulation, council policy or by-law took place on the 1st of June 2017 (i.e. 2016/17 financial year) and the payment date is the 1st of January 2018 (i.e. 2017/18 financial year), the condition would be in existence as at the 1st of January 2018.

4. In an instance where a municipality in the preparation of one or more prior period financial statements failed to use, or misused reliable information that was available at the period those financial statements were authorised for issue and could reasonably have been expected to have obtained and taken into account in the preparation and presentation of those financial statements, such omission and misstatements will constitute prior period errors according to GRAP 3.

If for example, subsequent to the awarding of a contract and payment having been made a municipality discovers that preference points were incorrectly calculated in awarding the contract, this will not necessarily constitute a prior period error provided the municipality did not fail to use or did not misuse reliable information that would have identified the non-compliance before the prior year financial statements are authorised for issue. The subsequent identification of an expense that was incurred as irregular expenditure would indicate that such identification occurred in the current period, relating to a contraventions or non-compliance which occurred in the prior period. Principles of Standard of GRAP on accounting policies, change in accounting estimates and errors (GRAP 3) must be complied with.

5. The word "Incurred" means the recognition of the effects of transactions and other events when they occur, rather than when cash or its equivalent is received or paid.

Disclosure note for irregular expenditure

Below is an example of how an irregular expenditure disclosure note may be presented.

Note	20x1	20x0
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REVIEW OF THE UIF & W POLICY

42. Unauthorised, Irregular, Fruitless and wasteful Expenditure	R'000	R'000
42.1 Irregular Expenditure		
Opening balance as previously reported	xx xxx	xx xxx
Correction of prior period error	1	xx xxx
Opening balance as restated	xx xxx	xx xxx
Add: Irregular Expenditure - current	xx xxx	xx xxx
Add: Irregular Expenditure - prior period	xx xxx	xx xxx
Less: Amount recoverable - current	(xx xxx)	(xx xxx)
Less: Amount recoverable - prior period	(xx xxx)	(xx xxx)
Less: Amount written off - current	(xx xxx)	(xx xxx)
Less: Amount written off - prior period	(xx xxx)	(xx xxx)
Closing balance	xxx xxx	xxx xxx
Cases under investigations	<i>xx (prior period: xx) cases related to non-compliance with procurement process requirements</i>	
	<i>xx (prior period: xx) cases related to other non-compliance with laws, regulations, council policies and/or by-laws.</i>	
Public Bearers Act	xx	xx
Municipal Systems Act	xx	xx

In the above hypothetical disclosure note, a brief narrative about the facts and circumstances relating to the amounts recoverable and amounts written off and any other information that the municipality views to be of importance to the AFS users should also be included.

Illustrative examples

The section below examines possible scenarios with regards to timing of the recognition and disclosure of transactions related to the irregular expenditure in the financial statements.

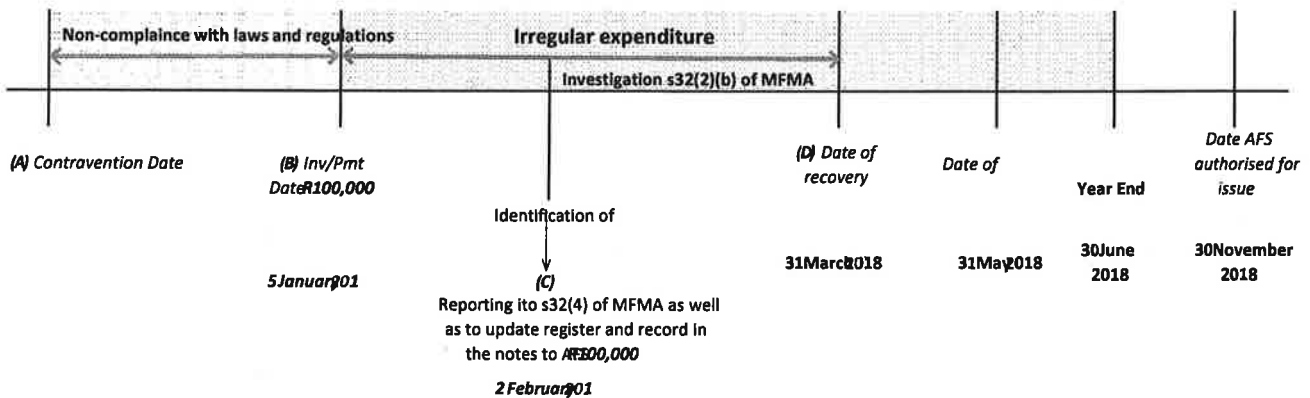
SCENARIO 1: *Irregular expenditure incurred in current financial period (2017/18), identified in current financial year (2017/18) and recovered or written-off in current financial period (2017/18).*

REVIEW OF THE UIF & W POLICY



A payment made to ABC Engineers on 5 January 2018 of R100 000 for the purchase cost of road construction equipment (Property, Plant and Equipment) was identified on the 2 February 2018 as irregular expenditure as the 3 quotations were not invited. The accounting officer complied with the requirements of s32(4) of MFMA and an investigation was launched by the council committee. Council adopted council committee recommendations on 31 March 2018 for the full amount of R100, 000 to be recovered from the responsible official as the equipment was never delivered to the municipality, while it was recorded as received in the municipal records; this official subsequently paid this amount on the 31 May 2018. Subsequent to the initial recognition of this equipment, provision had been made for a depreciation of R5 000.

The total identified irregular expenditure incurred during the 2018 financial period was R2 000 000 this is before taking the above stated irregular expenditure into account.



This scenario addresses instances where irregular expenditure is incurred, identified; council adopts a resolution to recover financial loss and the subsequently settled within the current financial period. Thus the following accounting journal entries will need to be made in the context of the recovery in the current period:

31 March 2018

Dr Receivable – Staff Debt R 100 000
 Cr Property Plant and Equipment (asset) R 100 000

Recognition of receivable in relation to irregular expenditure recovery and the reversal of PPE incorrectly recognised.

Dr Accumulated Depreciation R 5 000
 Cr Depreciation R 5 000

Reversal of depreciation previously recognised at for the asset relating to irregular expenditure recovery.

31 May 2018

REVIEW OF THE UIF & W POLICY

Dr Bank	R 100 000
Cr Receivable – Staff Debt	R 100 000

Settlement of receivable in relation to irregular expenditure

In the event of the transaction being for an expense item rather than for an asset item, (using the background information as per scenario 1 above) upon date of recovery, the related journal entry that will be processed will for example be as follows:

31 March 2018

Dr Receivable – Staff Debt	R100, 000
Cr Other income	R100, 000

Recognition of receivable in relation to irregular expenditure


Illustrated disclosure in the Annual Financial Statements (AFS):

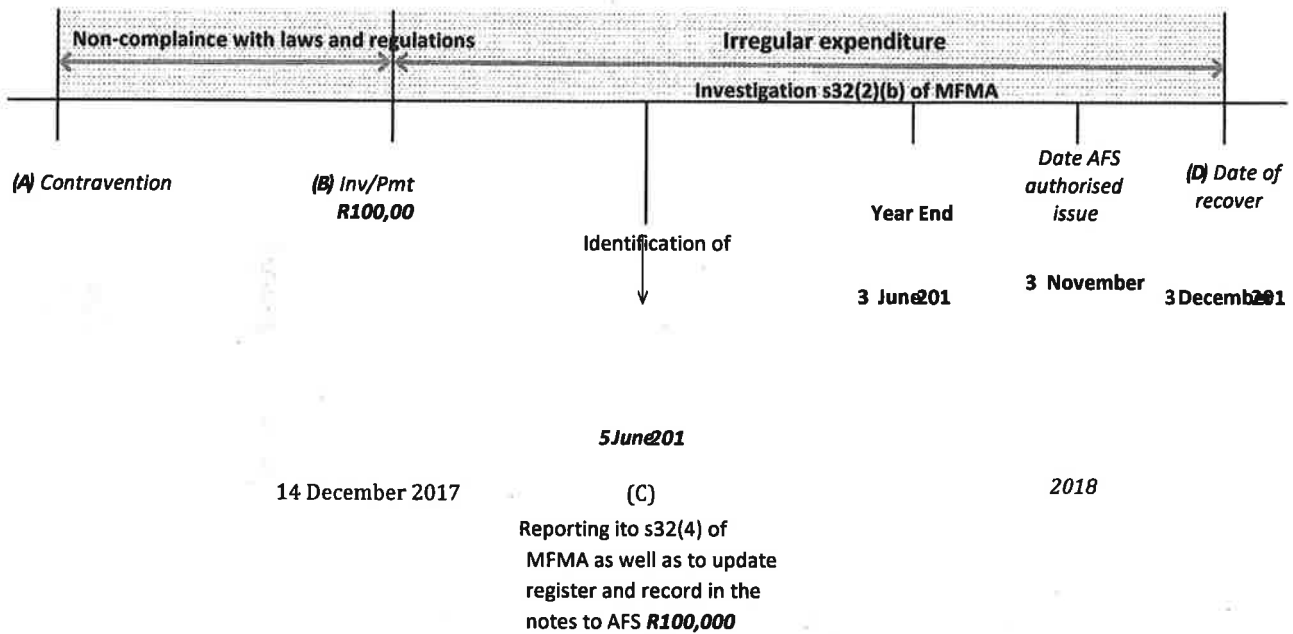
Notes to the annual financial statements for the year ended 30 June 2018

	Note	2018	2017
42. Unauthorised, Irregular, Fruitless and R'000 R'000 wasteful Expenditure			
42.1 Irregular Expenditure			
Opening balance as previously reported		4 000	3 500
Add: Irregular Expenditure - current (2000+100)		2 100	500
Less: Amount recoverable - current		-100	-
Closing balance		6 000	4 000
Incidents/cases identified in the current year include those listed below:			
Competitive bidding not invited		1 500	250
Three written quotations not invited		100	250
Declaration of interest not submitted		500	-
		2 100	500
Cases under investigations			
Investigations are still in progress regarding 8 (2017:5) which are all related to noncompliance with procurement process requirements.			
Amount recoverable			
After the council committee investigations, council adopted the council committee recommendations to recover an amount of R100 000 from the municipal official as it was proven without reasonable doubt that the official was liable for the identified non-compliance to the SCM processes			

SCENARIO 2: Irregular expenditure incurred in current financial year (2017/18), identified in current financial period (2017/18) and not yet recovered or written-off at year end (30 June 2018).

REVIEW OF THE UIF & W POLICY

	<p>A payment made to ABC Engineers on 14 December 2017 of R100 000 for routine repairs (expense) on equipment was on 5 June 2018 identified as irregular expenditure as the tax clearance was not obtained. The accounting officer complied with the requirements of s32(4) of MFMA and the council committee investigation process was launched. On 3 December 2018 council adopted council committee recommendations to recover the full amount of R100 000 from the responsible official. Financial statements were authorised for issue on 30 November 2018.</p> <p>The total identified irregular expenditure incurred during the 2018 financial period was R2 000 000 this is before taking the above stated irregular expenditure into account</p>
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As investigation by the council committee is concluded and recommendation for recovery adopted by council after the 2017/18 financial statements (i.e. 3 December 2018) have been authorised for issue, the recovery of the irregular expenditure is recognised in the subsequent financial period, i.e. 2018/19 financial year.

Thus accounting journal entries below are to be made in the context of the recovery in the subsequent period:

3 December 2018 (Year 2)

Dr Receivable – Staff Debt	R 100,000
Cr Other income	R 100,000

REVIEW OF THE UIF & W POLICY

As in the example above (Scenario 1), a journal entry will be processed on date of settlement of the receivable.

Illustrated disclosure in the annual financial statements:

Notes to the annual financial statements for the year ended 30 June 2018 (Yr. 1)

	Note	2018	2017
42. Unauthorised, Irregular, Fruitless and R'000 R'000 wasteful Expenditure			
42.1 Irregular Expenditure			
Opening balance as previously reported		4 000	3 500
Add: Irregular Expenditure - current (2000+100)		2 100	500
Closing balance		6 100	4 000
Incidents/cases reported in the current year include those listed below:			
Tax clearances not obtained		100	250
Competitive bidding not invited		1 500	250
Declaration of interest not submitted		500	-
		2 100	500
Cases under investigations			
Investigations are still in progress regarding 12 (2017:8) which are all related to non-compliance with procurement process requirements.			

Notes to the annual financial statements for the year ended 30 June 2019 (Yr. 2)

	Note	2019	2018
42. Unauthorised, Irregular, Fruitless and R'000 R'000 wasteful Expenditure			
42.1 Irregular Expenditure			
Opening balance as previously reported		6 100	4 000
Add: Irregular Expenditure - current		-	2 100
Less: Amount recoverable - prior period		-100	-
Closing balance		6 000	6 100
Incidents/cases identified in the current year include those listed below:			
Tax clearances not obtained		-	100
Competitive bidding not invited		1 500	1 500
Declaration of interest not submitted		500	500
		2 000	2 100


Cases under investigations

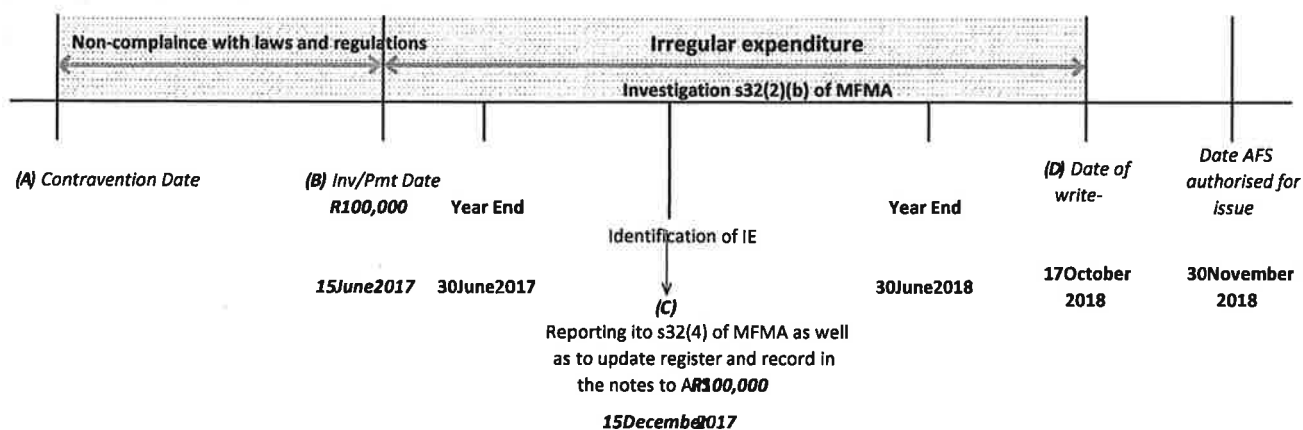
Investigations are still in progress regarding 11 (2018:12) which are all related to noncompliance with procurement process requirements.

Amount recoverable

After the council committee investigations, council adopted the council committee recommendations to recover an amount of R100 000 from the municipal official as it was proven without reasonable doubt that the official was liable for the identified non-compliance to the SCM processes.

SCENARIO 3: Irregular expenditure incurred in the prior financial period (2016/17), identified in current financial period (2017/18) and recovered or written-off in current financial period (2017/18).

	<p>Payment made to ABC Engineers on 15 June 2017 of R100 000 for routine repairs (expense) done on the equipment was on the 15 December 2017 was subsequently identified as irregular expenditure as it was later discovered that preference points were incorrectly calculated when awarding the contract.</p> <p>The accounting officer complied with the requirements of s32 (4) of MFMA and an investigation was launched by the council committee. Council adopted council committee recommendations on 17 October 2018 for the full amount of R100 000 to be written-off. Financial statements were authorised for issue on 30 November 2018.</p> <p>The total identified irregular expenditure incurred during the 2018 financial period was R2 000 000 this is before taking the above stated irregular expenditure into account</p>
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This scenario addresses instances where council adopts council committee recommendation to write-off of an irregular expenditure related to an expense (routine repairs on equipment) which was done after financial year end (30 June 2018) but before financial statements are authorised for issue (30 November 2018).

Therefore, the irregular expenditure disclosure note will be adjusted to reflect the write-off by reducing the irregular expenditure amount by R100 000.


Illustrated disclosure in the annual financial statements:

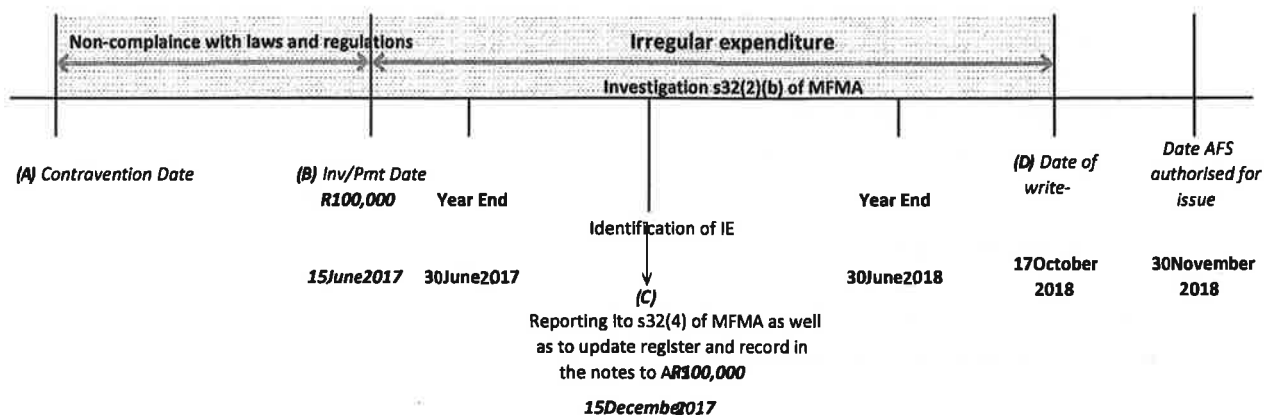
Notes to the annual financial statements for the year ended 30 June 2018

	Note	2018	2017
42. Unauthorised, Irregular, Fruitless and wasteful Expenditure		R'000	R'000
42.1 Irregular Expenditure			
Opening balance as previously reported		4 000	3 500
Add: Irregular Expenditure - current		2 000	500
Add: Irregular Expenditure - prior period		100	-
Less: Written off - prior period		-100	-
Closing balance		6 000	4 000

Incidents/cases reported in the current year include those listed below:		
Three written quotations not invited	1 500	250
Competitive bidding not invited	500	250
Declaration of interest not submitted	100	-
	2 100	500
Cases under investigations		
Investigations are still in progress regarding 9 (2017:7) which are all related to non-compliance with procurement process requirements.		
Amount written-off		
After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R100 000 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.		

SCENARIO 4: Irregular expenditure incurred in the prior financial period (2016/17), identified in current financial period (2017/18) and recovered or written-off in current financial period (2017/18).

	<p>After all the prescribed supply chain processes were complied with and the necessary verification checks undertaken. Payment made to ABC Engineers on 15 June 2017 of R100 000 for routine repairs (expense) on the equipment was on the 15 December 2017 was subsequently identified as irregular expenditure as it was later discovered that the supplier had misrepresented some facts on its supplier's declaration of interest form.</p> <p>During the investigation it was discovered that these repairs were in fact not even done though the accounting entry recording them was already processed in the accounting system. The accounting officer complied with the requirements of s32 (4) of MFMA and an investigation was launched by the council committee. Council adopted council committee recommendations on 17 October 2018 for the full amount of R100 000 to be written-off. Financial statements were authorised for issue on 30 November 2018.</p> <p>The total identified irregular expenditure incurred during the 2018 financial period was R2 000 000 this is before taking the above stated irregular expenditure into account</p>
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This scenario addresses instances where council adopts council committee recommendation to write-off of an irregular expenditure after financial year end (30 June 2018) but before financial statements are authorised for issue (30 November 2018) in related to an expense (routine repairs on equipment) which was not done.

Thus accounting journal entries below are to be made in the context of the write off of an expense for which corresponding goods or services were not received.

17 October 2018

Dr Loss due to expenditure written-off	R100 000
Cr Repairs and maintenance	R100 000

Recognition of write-off of irregular expenditure where goods or services were not received

Illustrated disclosure in the annual financial statements:

Notes to the annual financial statements for the year ended 30 June 2018

	Note	2018	2017
42. Unauthorised, Irregular, Fruitless R'000 R'000 and wasteful Expenditure			
42.1 Irregular Expenditure			
Opening balance as previously reported		4 000	3 500
Add: Irregular Expenditure - current		2 000	500
Add: Irregular Expenditure - prior period		100	-
Less: Written off - prior period		-100	-
Closing balance		6 000	4 000

Incidents/cases reported in the current year include those listed below:

Three written quotations not invited	1 500	250
Competitive bidding not invited	500	250
Declaration of interest not submitted	100	-
	2 100	500

Cases under investigations

Investigations are still in progress regarding 9 (2017:7) which are all related to non-compliance with procurement process requirements.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R100 000 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

SCENARIO 5: Irregular expenditure incurred in the prior financial period (2016/17), identified in current financial period (2017/18) and recovered or written-off in current financial period (2017/18).

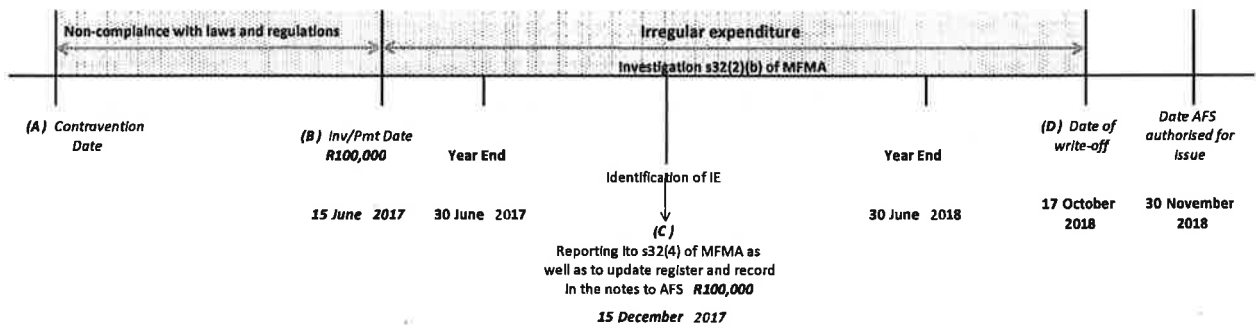


After all the prescribed supply chain processes were complied with and the necessary verification checks undertaken. Payment made to ABC Engineers on 15 June 2017 of R100 000 for the purchase of road construction equipment (Property, Plant and Equipment) was on the 15 December 2017 subsequently identified as irregular expenditure as it was discovered that preference points were incorrectly calculated when awarding the contract.

During the investigation it was discovered that this asset was in fact never even delivered even though a number of accounting entries had been recorded in the accounting system i.e. subsequent to the asset having been recognised in the financial statements a total provision for depreciation of R5 000 and an impaired loss of R15 000 (due to a newly promulgated legislation which imposes emissions tax on use of construction equipment which emits excessive carbon emissions) had been recognised in the accounting records.

The accounting officer complied with the requirements of s32 (4) of MFMA and an investigation was launched by the council committee. Council adopted council committee recommendations on 17 October 2018 for the full amount of R100 000 to be written-off. Financial statements were authorised for issue on 30 November 2018.

The total identified irregular expenditure incurred during the 2018 financial period was R2 000 000 this is before taking the above stated irregular expenditure into account



This scenario addresses instances where council adopts council committee recommendation to write-off of an irregular expenditure after financial year end (30 June 2018) but before financial statements are authorised for issue (30 November 2018) in related to the purchase of property, plant and equipment (road construction equipment) which was never delivered.

Thus the following accounting journal entries will be processed to reflect the write-off of an item of property, plant and equipment that was not received

17 October 2018

Dr Accumulated depreciation and impairment loss R5 000

Cr Depreciation R5 000

Reversal of previously recognised provision for depreciation

Dr Accumulated depreciation and impairment loss R15 000

Cr Impairment loss R15 000

Reversal of impairment loss previously recognised

Dr Loss due to irregular expenditure R100 000

Cr Property, plant and equipment (asset) R100 000

Recording loss and de-recognition of asset which was incorrectly recognised

NB: The above write off might lead to an unauthorised expenditure situation. Council will need to adjust its budget for purposes of writing off irregular expenditure without being in net deficit position.

Illustrated disclosure in the annual financial statements:

Notes to the annual financial statements for the year ended 30 June 2018

	Note	2018	2017
42. Unauthorised, Irregular, Fruitless and wasteful Expenditure	R'000 R'000		
42.1 Irregular Expenditure			
Opening balance as previously reported		4 000	3 500
Add: Irregular Expenditure - current		2 000	500
Add: Irregular Expenditure - prior period		100	-
Less: Written off - prior period		-100	-
Closing balance		6 000	4 000
Incidents/cases reported in the current year include those listed below:			
Three written quotations not invited		1 500	250
Competitive bidding not invited		500	250
Declaration of interest not submitted		100	-
		2 100	500

Cases under investigations

Investigations are still in progress regarding 6 (2017:9) which are all related to non-compliance with procurement process requirements.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R100 000 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

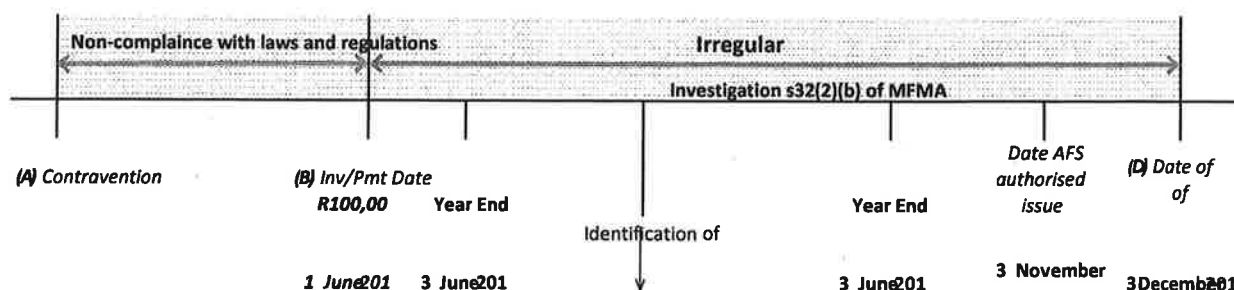
SCENARIO 6: Irregular expenditure incurred in the prior financial period (2016/17), identified in current financial period (2017/18) and not yet recovered or written-off at year-end (30 June 2018).



After all the prescribed supply chain processes were complied with and the necessary verification checks undertaken. Payment made to ABC Engineers on 15 June 2017 of R100 000 for routine repairs (expense) done on the equipment was on the 15 December 2017 was subsequently identified as irregular expenditure as it was later discovered that the supplier was a close family member of a councillor although they do not share the same surname and the councillor failed to disclose the relationship.

The accounting officer complied with the requirements of s32 (4) of MFMA and the council committee investigation process was launched. Council adopted council committee recommendations on 3 December 2018 for the full amount of R100 000 to be written-off. Financial statements were authorised for issue on 30 November 2018.

The total identified irregular expenditure incurred during the 2018 financial period was R2 000 000 this is before taking the above stated irregular expenditure into account



1 Decemb201

2018

(C)

Reporting ito s32(4) of MFMA as well as to update register and record in the notes of the AFS **R100,000**

As investigation by the council committee is concluded and recommendation for write-off adopted by council (3 December 2018) after the 2017/18 financial statements have been authorised for issue (30 November 2018), the write off of the irregular expenditure is recognised in the subsequent financial period, i.e. 2018/19 financial period, as the write off is a non-adjusting event in terms of GRAP 14.

Illustrated disclosure in the annual financial statements:

Notes to the annual financial statements for the year ended 30 June 2018 (Yr. 1)

	Note	2018	2017
42. Unauthorised, Irregular, Fruitless R'000 R'000 and wasteful Expenditure			
42.1 Irregular Expenditure			
Opening balance as previously reported		4 000	3 500
Add: Irregular Expenditure - current		2 000	500
Add: Irregular Expenditure - prior period		100	-
Closing balance		6 100	4 000
Incidents/cases reported in the current year include those listed below:			
Three written quotations not invited		1 500	250
Competitive bidding not invited		500	250
Awards to close family member of		100	-
		2 100	500
Cases under investigations			
Investigations are still in progress regarding 12 (2017: 8) cases which are all related to noncompliance with procurement process requirements.			

Notes to the annual financial statements for the year ended 30 June 2019 (Yr. 2)

	Note	2019	2018
42. Unauthorised, Irregular, Fruitless R'000 R'000 and wasteful Expenditure			
42.1 Irregular Expenditure			
Opening balance as previously reported		6 100	4 000
Add: Irregular Expenditure - current		-	2 000
Add: Irregular Expenditure - prior period		100	-
Less: Amount written off - prior period -100		-	-
Closing balance		6 000	6 100
Incidents/cases reported in the current year include those listed below:			
Three written quotations not invited		1 500	1 500
Competitive bidding not invited		500	500
Awards to other state officials		-	100
		2 000	2 100

Cases under investigations

Investigations are still on going on 11 (2018: 12) cases which are all related to non-compliance with procurement process requirements

Amount written off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R100 000 which relates to the prior year period, from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

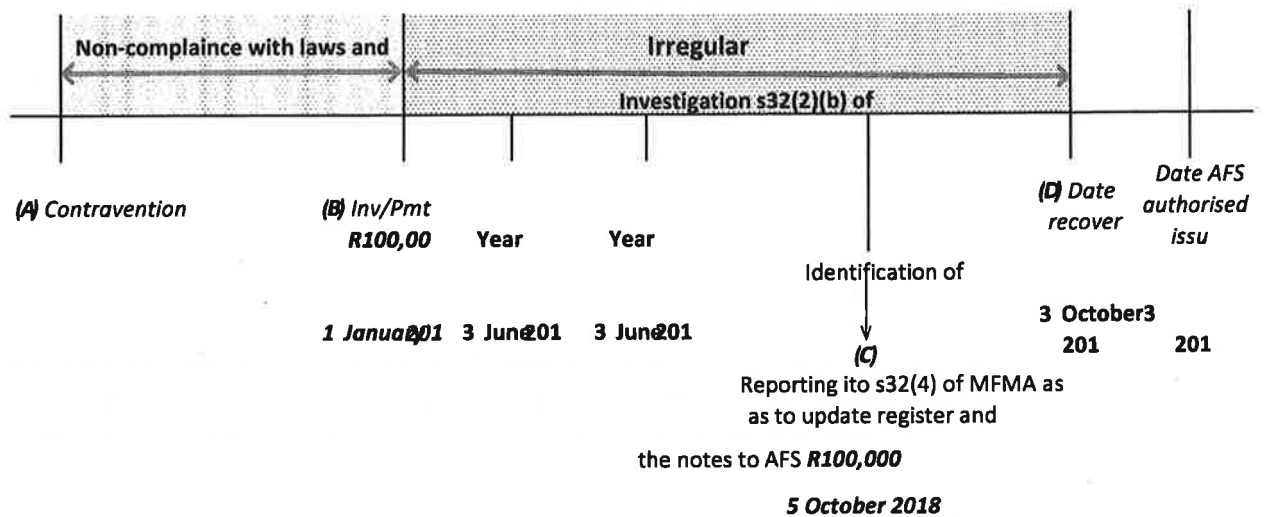
SCENARIO 7: Irregular expenditure incurred in the prior financial period (2016/17), known to be in existence in the prior financial period, identified in the current financial period (2017/18).



Payment made to ABC Engineers on 17 January 2017 of R100 000 for routine repairs (expense) on equipment was identified on 30 June 2017 by a junior Supply Chain Management official as irregular expenditure as the 3 quotations were not invited. The accounting officer was made aware of this by the 30 of June 2017, however the requirements of s32(4) of MFMA were not complied with and therefore no investigation was undertaken.

The irregular expenditure was again identified by external auditors on the 5 October 2018, at which point the accounting officer complied with requirements of s32(4) of MFMA. The council committee investigation process was launched and council adopted council committee recommendations on 30 October 2018 for the full amount of R100 000 to be recovered from the responsible official. Financial statements were authorised for issue on 30 November 2018.

The total identified irregular expenditure incurred during the 2018 financial period was R2 000 000 this is before taking the above stated irregular expenditure into account and the opening balance was R4 000 000 (2017: R3 500 000).



The scenario above depicts a scenario whereby the municipality was aware of existence of the irregular expenditure that existed at the end of reporting year but no further work was done (investigation) to confirm its existence or non-existence. Therefore, because this information came to the attention of management at the time of preparation of financial statements (for years ending 30 June 2017) which suggested that the expenditure incurred was a possibly an irregular expenditure but which management choose to omit in the preparation of its financial statements, such an omission i.e. R100,000 for years ending 30 June 2017 will result in prior period error in accordance with GRAP 3 *Accounting Policies, Change in estimates and errors*.

30 October 2018

Dr Receivable – Staff Debt	R 100 000
Cr Other income	R 100 000

Recognition of receivable in relation to irregular expenditure recovery

Illustrated disclosure in the annual financial statements:

Notes to the annual financial statements for the year ended 30 June 2018

	Note	2018	2017
42. Unauthorised, Irregular, Fruitless and R'000 R'000 wasteful Expenditure			
42.1 Irregular Expenditure			
Opening balance		4 000	3 500
Correction of prior period error	45.1	100	

Opening balance as restated	4 100	3 500
Add: Irregular Expenditure - current	2 000	500
Less: Amount recoverable - prior period	-100	
Closing balance	6 000	4 000

Incidents/cases reported in the current year include those listed below:

Preference point system incorrectly applied	1 500	250
Competitive bidding not invited	500	250
Three written quotations not invited	100	
	2 100	500

Cases under investigations

Investigations are still on going for 3 (2017: 4) cases which are all related to non-compliance with procurement process requirements.

Amount recoverable

After investigations, the council decided to adopt the council committee recommendations to recover an amount of R100 000 from the municipal official after it was proven without reasonable doubt that the official was liable to the non-compliance to SCM processes.

45. Prior period adjustments

45.1 Adjustment of irregular expenditure

Opening balance	4 000	3 500	Adjustment due to error	100 -	
Restated opening balance				4 100	3 500

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure R100 000 made to ABC Engineers in the 30 June 2017 financial statements as it was subsequently noted that the suppliers tax affairs were not in order.

5 Accounting for fruitless and wasteful expenditure as well as unauthorised expenditure

The process for fruitless and wasteful expenditure, as outlined in section 32(2)(b) of the MFMA, is procedurally dealt with in the same manner as irregular expenditure as outlined in the Circular. Therefore, from an accounting perspective, the accounting treatment for fruitless and wasteful expenditure will be exactly the same as in the case of irregular expenditure as outlined in this document.

With regards to unauthorised expenditure, whilst the authorisation of the expenditure will be done via an adjustment budget process as outlined in section 28 of the MFMA, read

with the Municipal Budget and Reporting Regulations, the accounting treatment thereof will be exactly the same as in the case of irregular, fruitless and wasteful expenditure as outlined above.

Disclosure note for unauthorised expenditure

	Note	20x1	2
42. Unauthorised, Irregular, Fruitless and Wasteful Expenditure	R'000	R'000	
42.2 Unauthorised Expenditure			
Opening balance as previously reported		xx xxx	x)
Add: Expenditure identified - current		xx xxx	x)
Add: Expenditure identified - prior period		xx xxx	x)
Less: Approved by Council		(xx xxx)	(xx
Closing balance		xx xxx	xx
The over expenditure incurred by municipal departments during the year is attributable to the following categories			
Non-cash		xx xxx	x)
Cash		xx xxx	x)
		xx xxx	xx
Analysed as follows: non-cash			
Employee related cost (e.g. actuarial valuations)		xx xxx	x)
Depreciation and amortisation		xx xxx	x)
Finance charges (e.g. interest charge on the provision for xx xxx xx xxx the rehabilitation)			
Loss on disposal of property, plant and equipment		xx xxx	x)
Provision of impairment		xx xxx	x)
Other (disaggregate or list these)		xx xxx	x)
		xx xxx	xx
Analysed as follows: cash			
Bulk purchases		xx xxx	x)
Contracted services		xx xxx	x)
General expenditure		xx xxx	x)
Employee related costs		xx xxx	x)
Other (disaggregate or list these)		xx xxx	x)
		xx xxx	xx

Unauthorised expenditure: Budget overspending – per municipal department Transport		
Safety and security	XX XXX	XX X
Electricity	XX XXX	XX X
Water	XX XXX	XX X
Environment and agriculture Management	XX XXX	XX X
Community and social development	XX XXX	XX X
Infrastructure	XX XXX	XX X
Finance	XX XXX	XX X
Property Management	XX XXX	XX X
Other (disaggregate or list these)	XX XXX	XX X
Total	XX XXX	XX X

Note that this document is not part of the GRAP standard. The GRAP takes precedence while this annexure is used mainly to provide further explanations on the concepts already in the GRAP

20. POLICY REVIEW

This policy must be reviewed and updated:

- a) Annually in line with the budget cycle and submitted with the budget policies; or
- b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.

REVIEW OF THE UJF & W POLICY

TR: Transferred to receivables for recovery
P: Paid or in process of paying in installments
WO: Written-off by council as irrecoverable

THE CITY OF MATLOSANA



SUPPLY CHAIN MANAGEMENT AND THE INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY

2019/2020 FINANCIAL YEAR

VOLUME 11

PREAMBLE

The Municipal Manager of the City of Matlosana, being responsible for managing the financial administration of the City of Matlosana (hereinafter referred to as "the CoM"), hereby, in terms of the provisions of Section 62(1)(f)(iv), read with section 111 of the Local Government: Municipal Finance Management Act, Act 53 of 2003 (hereinafter referred to as the "MFMA"), and in order to give effect to Section 217(1) of the Constitution of the Republic of South Africa, 1996 (hereinafter referred to as "the Constitution"), establishes the Supply Chain Management Policy of the CoM, as approved by its Municipal Council and which came into operation on and is to be implemented as such from the date of acceptance by the Council.

THE CITY OF MATLOSANA:

SUPPLY CHAIN MANAGEMENT POLICY

TABLE OF CONTENTS

CHAPTER 1: ESTABLISHMENT AND IMPLEMENTATION OF SCM POLICY

NO	ITEM	PAGE NO
1	DEFINITIONS	9
2	INTRODUCTION	29
3	TITLE AND APPLICATION	30
4	AIM AND PURPOSE OF THE SCM SYSTEM	32
5	OBJECTIVES OF THE POLICY	33
6	RESPONSIBLE AND DELEGATED AUTHORITY	35
6.1	SUB-DELEGATIONS	37
6.2	OVERSIGHT ROLE OF THE COM	38
6.3	SCM UNIT	39
7	TRAINING OF SCM OFFICIALS	40
8	DUTIES AND RESPONSIBILITIES	40
8.1	GENERAL RESPONSIBILITIES OF THE OFFICIALS OF THE COM	40
8.2	RESPONSIBILITIES OF THE MUNICIPAL MANAGER	40
8.3	RESPONSIBILITIES OF THE DIRECTOR	41
8.4	RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER	42
8.5	RESPONSIBILITIES OF THE SCMU	44
9	GENERAL	45

9.1	ADOPTION AND AMENDMENT OF SUPPLY CHAIN MANAGEMENT POLICIES	45
9.2	AVAILABILITY OF SUPPLY CHAIN MANAGEMENT POLICY	45
9.3	COMMUNICATIONS	45

CHAPTER 2: FRAMEWORK OF SCM POLICY

10	ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT SYSTEM	46
11	DEMAND MANAGEMENT	46
11.1	INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT	49
12	ACQUISITION MANAGEMENT	52
12.1	RANGE OF PROCUREMENT PROCESSES	54
12.2	GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS	56
12.3	LIST OF ACCREDITED PROSPECTIVE PROVIDERS	57
12.4	PETTY CASH PURCHASES	57
12.5	WRITTEN OR VERBAL QUOTATIONS	58
12.6	FORMAL WRITTEN PRICE QUOTATIONS	59
12.7	COMPETITIVE BIDS AND PROCESS FOR COMPETITIVE BIDS	61
12.7.1	BID DOCUMENTATION FOR COMPETITIVE BIDS	62
12.7.2	PUBLIC INVITATION FOR COMPETITIVE BIDS	66
12.7.3	ISSUING OF BIDS	67
12.7.4	SITE INSPECTION	68
12.7.5	TWO-STAGE BIDDING PROCESS	68
12.7.6	TWO-ENVELOPE SYSTEM	69
12.7.7	VALIDITY PERIODS	69
12.7.8	CONTRACT PRICE ADJUSTMENT	70
12.7.9	PROVISIONAL SUMS AND PRIME COST ITEMS	71

12.7.10	SAMPLES	72
12.7.11	CLOSING OF BIDS	72
12.7.12	COMMUNICATIONS WITH BIDDERS BEFORE BID CLOSING	73
12.7.13	SUBMISSION OF BIDS	74
12.7.14	LATE BIDS	75
12.7.15	OPENING OF BIDS	75
12.7.16	OPENING OF BIDS WHERE TWO-ENVELOPE SYSTEM IS FOLLOWED	76
12.7.17	INVALID BIDS	77
12.7.18	BID SUM	78
12.8	COMMITTEE SYSTEM FOR COMPETITIVE BIDS	78
12.9	BID SPECIFICATION	78
12.10	BID SPECIFICATION COMMITTEE	80
12.11	BID EVALUATION	81
12.12	BID EVALUATION COMMITTEE	84
12.13	BID ADJUDICATION	85
12.14	BID ADJUDICATION COMMITTEE	89
12.15	TERM BIDS	90
12.16	PROCUREMENT OF BANKING SERVICES	91
12.17	PROCUREMENT OF IT RELATED GOODS AND/OR SERVICES	91
12.18	PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE	92
12.19	PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS	90
12.20	PROUDLY SA CAMPAIGN	94
12.21	APPOINTMENT OF CONSULTANTS	94
12.22	DEVIATION FROM AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES	97
12.23	UNSOLICITED BIDS	99
13	LOGISTICS MANAGEMENT	101

13.1	SETTING OF INVENTORY LEVELS	101
13.2	PLACING OF ORDERS	102
13.3	RECEIVING AND DISTRIBUTION OF GOODS	102
13.4	STORES AND WAREHOUSE MANAGEMENT	103
13.5	EXPEDITING ORDERS	103
13.6	TRANSPORT MANAGEMENT	103
13.7	VENDOR PERFORMANCE	203
13.8	CONTRACT MANAGEMENT	104
13.9	MAINTENANCE AND CONTRACT ADMINISTRATION	104
13.10	CONTRACT ADMINISTRATION	105
13.11	LEVELS OF CONTRACT ADMINISTRATION	106
13.12	APPOINTING A CONTRACT MANAGER	106
13.13	DUTIES AND POWERS OF CONTRACT MANAGER	107
13.14	CONTRACT GUIDELINES	108
13.15	DELEGATING TO CONTRACT ADMINISTRATOR	108
13.16	CONTRACT MANAGEMENT PROCESS	108
13.17	DOCUMENT RETENTION	109
13.18	GUIDELINES ON CONTRACT ADMINISTRATION	109
14	DISPOSAL MANAGEMENT	111
15	RISK MANAGEMENT	112
16	PERFORMANCE MANAGEMENT	114

CHAPTER 3: OTHER MATTERS

17	PROHIBITION ON AWARDS TO PERSONS WHOSE/WHICH TAX MATTERS ARE NOT IN ORDER	115
18	PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE	115
19	AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE	116

20	CODE OF ETHICAL STANDARDS	116
20.1	INDUCEMENTS, REWARDS, GIFTS AND FAVOURS TO THE COM, ITS OFFICIALS AND/OR OTHER ROLE-PLAYERS	119
20.2	SPONSORSHIPS	119
20.3	OBJECTIONS AND COMPLAINTS	120
20.4	RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES	120
20.5	CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER	121

CHAPTER 4: COMBATING ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

21	COMBATING ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM	122
21.1	COM'S REGISTER OF TENDER AND CONTRACT DEFAULTERS	124
21.2	AUTOMATIC REJECTION OF BID	125
21.3	ADEQUATE NOTICE OF MANNER OF ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM	126
21.4	RIGHT OF ACCESS TO INFORMATION	127
21.5	ADMINISTRATION OF HEARINGS	127
21.6	RIGHT TO BE HEARD	127
21.7	ORAL HEARINGS	128
21.8	PROCEDURE AT ORAL HEARING	129
21.9	ONUS OF PROOF	129
21.10	RIGHT TO LEGAL REPRESENTATION	129
21.11	RIGHT TO REQUEST REASONS	129
21.12	CRIMINAL PROCEEDINGS	130
21.13	INFORMING NATIONAL AND PROVINCIAL TREASURY	130

CHAPTER 5: PREFERENTIAL PROCUREMENT

22	PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILIZED	130
23	EVALUATION OF BIDDERS ON FUNCTIONALITY	131
24	THE 80/20 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES UP TO A RAND VALUE OF R1 MILLION	132
25	THE 90/10 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES WITH A RAND VALUE ABOVE R1 MILLION	134
26	AWARD OF CONTRACTS TO BIDDERS NOT SCORING THE HIGHEST NUMBER OF POINTS	135
27	CANCELLATION AND RE-INVITATION OF BIDS	135
28	LOCAL PRODUCTION AND CONTENT	136
29	B-BBEE STATUS LEVEL CERTIFICATE	137
30	CONDITIONS	137
31	DECLARATIONS	145
32	REMEDIES	145

SCHEDULES

	SCHEDULE "A"	147
	SCHEDULE "B"	148
	SCHEDULE "C"	149

CHAPTER 1: ESTABLISHMENT AND IMPLEMENTATION OF SCM POLICY

1. DEFINITIONS

In this policy, except where the context otherwise indicates or it is expressly stipulated otherwise, the following words, expressions and/or abbreviations shall have the respective meanings assigned to them hereunder and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MFMA will have the corresponding meaning assigned thereto in terms of such section. Some of these words, expressions and/or abbreviations may not occur in the Policy, but are included for the sake of completeness.

NO.	WORD/EXPRESSION	DEFINITION
“A”		
1.1.	“abuse of the supply chain management system”	Means acts and/or omissions, or the underlying acts and/or omissions from an affected person which forms the basis of the intended steps to be taken by the municipal manager in terms of this policy, and includes: “fronting” i.e., where HDI’s are signed up as fictitious shareholders or members in essentially juristic entities where some or none of the shareholding or membership, as the case may be, is held by persons other than HDI’s, and which juristic entities bid for contracts in terms of which substantial financial benefits and proceeds generated by virtue of such contracts are channelled to shareholders or members of such juristic entities, as the case may be, or to an alternative juristic entity or entities where some or none of the shareholding or membership, as the case may be, is held by persons other than HDI’s

		<p>who otherwise would not have obtained any financial benefits or proceeds but for such fictitious shareholders or members of the entity to whom the contract was awarded;</p> <p>“collusive bids” i.e., where bidders conclude an arrangement between themselves to obtain the highest possible points in the evaluation and/or the award of a bid whereby competitive bids are eliminated; and</p> <p>“influencing the bid process” i.e., directly, indirectly or tacitly influencing or interfering with the work of relevant officials of the CoM involved in the bid process in order to influence the process so as to <u>inter alia</u>: (a) influence the process and/or outcome of a bid, (b) incite breach of confidentiality and/or the offering of bribes, (c) cause over and under invoicing, (d) influence the choice of procurement method or technical standards, and (e) influence any officials of the CoM in any way which may secure an unfair advantage during or at any stage of the procurement process.</p>
1.2.	“accountability”	Means an account-giving relationship between individuals including the personal responsibility of a person to a senior or a higher authority in terms of that person’s acts or omissions in the execution of his/her assigned duties.
1.3.	“accounting officer”	Means the municipal manager of the CoM and refers to the definition of “accounting officer” as defined in terms of the provisions of section 1 of the MFMA and referred to in section 60 of the MFMA, and includes a person acting as an accounting officer or the person to whom the accounting officer has delegated his/her authority to act.
1.4.	“A-class accountable item”	Means those items that are not consumable or expendable.

1.5.	“Acquisition management”	Means the process of the procurement of goods, works and/or services and includes, but is not limited to, the identification of preferential policy objectives, determination of market strategies, application of depreciation rates, application of total costs of ownership principle, compilation of bid documentation including bid conditions, determination of evaluation criteria, evaluation of bids and tabling of recommendations, compilation and signing of contracts and contract administration.
1.6.	“adjudication points”	Means the points referred to in the Preferential Procurement Policy Framework Act, Act 5 of 2000: Preferential Procurement Regulations, 2011, and the preferential procurement section of this policy, also referred to as “evaluation points” or “preference points”.
1.7.	“affected person”	Means a natural person or entity whose/which rights may be materially and/or adversely affected when the municipal manager takes any of the steps contemplated in this policy in order to combat abuse of the supply chain management process.
1.8.	“all applicable taxes”	Includes value added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
1.9.	“asset”	Means a tangible or intangible resource capable of ownership.
1.10.	“Auditor-General”	Means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person acting as Auditor-General, acting in terms of a delegation by the Auditor-General or designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General.
1.11.	“authority”	Means a right or power attached to a rank or position permitting the holder thereof to make decisions, to

		execute such decisions or to have such decisions executed, take command or to demand action by others.
“B”		
1.12.	“B-BBEE”	Means broad based black economic empowerment as defined in terms of the provisions of section 1 of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003.
1.13.	“B-BBEE status level of contributor”	Means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of the provisions of section 9(1) of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003.
1.14.	“bid”	Also means tender i.e. quote, expression of interest, proposal, or any other proposition for business with the CoM, whether solicited or not or a written offer in a prescribed or stipulated form in response to an invitation by the CoM for the provisions of goods and services.
1.15.	“bidder”	Means any person or entity submitting a bid or a written or verbal quotation pursuant to an invitation from the CoM to submit such a bid.
“C”		
1.16.	“capital asset”	Means any immovable asset such as land, property or buildings or any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic or social benefit can be derived, such as plant, machinery and equipment.
1.17.	“chief financial officer”	Means the person appointed by the municipal council and designated by the municipal manager of the CoM to

		manage the financial administration of the CoM and remains directly accountable to the municipal manager as contemplated in terms of the provisions of section 80(2)(a) read with sections 1 and 81 of the MFMA.
1.18.	“City of Matlosana” or “CoM”	Means the CITY OF MATLOSANA a local government and legal entity with full legal capacity as contemplated in section 2 of the MSA, read with the provisions of Chapter 7 of the Constitution of the Republic of South Africa and sections 12 and 14 of the Local Government: Municipal Structures Act, Act 117 of 1998, with its main place of business and the offices of the municipal manager, as envisaged in terms of the provisions of section 115(3) of the MSA, Bram Fisher Street, KLERKSDORP, NORTH WEST PROVINCE, and includes its successor in title; or structural person exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act.
1.19.	“CoM’s Register of Tender and Contract Defaulters”	Means the list compiled by the CoM for purposes of the combating of abuse of the supply chain management system in terms of which the persons reflected on the list are prohibited from being awarded any contract by the CoM for the specified period reflected on the list.
1.20.	“close family member”	Means includes a spouse, child or parent of a person.
1.21.	“closing time”	Means the time and date specified in bid documentation as that time and date upon which the final acceptance of bids will expire, and after expiry of which no more bids may be submitted and will not be accepted by the CoM.
1.22.	“community based vendor”	Means a supplier of goods and/or services who resides in a target area or community, who/which meets the criteria for community based vendors as determined by the municipal manager from time to time, and who/which

		is registered on the list of the CoM as an accredited prospective provider of goods and/or services.
1.23.	“comparative price”	Means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration. A “non-firm price” means all prices other than a “firm price” and a “firm price” means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.
1.24.	“competitive bid”	Means a bid in terms of a competitive bidding process.
1.25.	“competitive bidding process”	Means a competitive bidding process contained in section 12G of this policy, and referred to in regulation 12(1) (d) of the SCMR.
1.26.	“consortium or joint venture”	Means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract.
1.27.	“construction industry development board” or “CIDB”	Means the Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act, Act 38 of 2000.
1.28.	“Construction Industry Development Board Act”	Means the Construction Industry Development Board Act, Act 38 of 2000.
1.29.	“construction works”	Means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a

		fixed asset including building and engineering infrastructure.
1.30.	“consultant”	Means a person or entity providing labour and knowledge based expertise which is applied with reasonable skill, care and diligence.
1.31.	“contract”	Means a written agreement resulting from the acceptance of a bid or quotation from a bidder by the CoM and contemplated in the provisions of section 116 of the MFMA.
1.32.	“contractor”	Means a person or entity whose/which bid or quotation has been accepted by the CoM.
1.33.	“contract participation goal”	Means the amount equal to the sum of the value of work for which the prime contractor contracts to engage specific target groups in the performance of the contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.
1.34.	“corrected bid sum”	Means the bid sum, corrected in terms of the bid documentation, where applicable.
1.35.	“council”	Means the municipal council of the City of Matlosana in which the executive and legislative authority of the CoM is vested and which is the decision making body of the CoM, its legal successors and its delegates.
1.36.	“current asset”	Means an asset on the balance sheet which can either be converted to cash or used to pay current liabilities within 12 (twelve) months from the beginning of the current financial year.
1.37.	“customer service”	Means the process of serving customers in accordance with acceptable, predetermined standards in such a manner that it increases customer satisfaction and minimises time and costs.
“D”		

1.38.	“days”	Means calendar days, unless the context indicates otherwise.
1.39.	“delegated body”	Means in relation to the delegation of a power or duty a person to whom such power or duty has been delegated in writing by the delegating authority.
1.40.	“delegating authority”	Means in relation to a delegation of a power or duty by a municipal council, the municipal council, in relation to a sub-delegation of a power or duty by another political structure, or by a political office bearer, councillor or staff member of the CoM, means that political structure, political office bearer, councillor or staff member.
1.41.	“delegation”	Means the issuing of a written authorisation by a delegating authority to a delegated body to act in his stead, and in relation to a duty, includes an instruction or request to perform or to assist in performing the duty, and “delegate” and “sub-delegate” has a corresponding meaning.
1.42.	“demand management”	Means system which insures that the resources required to support the strategic and operational commitments of the CoM are delivered at the correct time, at the right price, and at the right location, and that the quantity and quality satisfy the needs of the CoM.
1.43.	“depreciation”	Means the decrease in the value of assets from general wear and tear and allocation of the cost of assets to periods in which the assets are used.
1.44.	“designated sector”	Means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced goods and/or services or locally manufactured goods meet the stipulated minimum threshold for local production and content.

1.45.	“disability”	Means in respect of a person a permanent impairment of a physical, intellectual or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner or in the range considered normal for a human being.
1.46.	“disposal”	Means process of preparing, negotiating and concluding a written contract which involves the alienation of a capital asset including a capital asset no longer needed by the CoM or rights in respect thereof, by means of a sale or a donation, and “dispose” has a similar meaning.
1.47.	“disposal management”	Means the system of the CoM for the disposal or letting of assets, including unserviceable, redundant or obsolete assets in a cost-effective, but transparent and responsible manner, and also entails the maintenance of records and documents.
“E”		
1.48.	“empowerment indicator”	Means measure of an enterprise’s or businesses’ contribution towards achieving the goals of the governments reconstruction and development program, this indicator will relate only to certain specific goals for the purposes of this policy.
1.49.	“engineering and construction works”	Means the provision of a combination of goods and services, arranged for the development and provision of an asset including construction works and engineering infrastructure or for the refurbishment of an existing asset.
1.50.	“entity”	Means juristic person.
1.51.	“equipment”	Means-class accountable stores/stock that are issued and accounted for on an inventory.
1.52.	“equity ownership”	Means the percentage of an enterprise or business owned by individuals or, in respect of a private company,

		the percentage of a company's shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise or business, commensurate with the degree of ownership at the closing date of the bid.
1.53.	"evaluation points"	Means "adjudication points" and/or "preference points".
1.54.	"exempted capital asset"	Means municipal capital asset which is exempted by section 14(6) of the MFMA from the other provisions of that section.
"F"		
1.55.	"final award"	Means in relation to bids or quotations submitted for a contract, the final decision on which bid or quote to accept.
1.56.	"firm price"	Means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change in position, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of a contract.
1.57.	"formal written price quotation"	Means quotations referred to in section 12F of this policy and regulation 12(1)(c) of SCMR and includes an electronic offer to the CoM in response to an invitation to submit such a quotation.
1.58.	"functionality"	Means the measurement according to predetermined norms and/or criteria, as set out in the bid documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder..

“G”		
1.59.	“general conditions of contract”	Means the general conditions of contract as set out in the bid documentation applicable to the said bid and not limited to the General Conditions of Contract for Construction Contracts, 2010 of the South African Institute of Civil Engineers.
1.60.	“goods”	Means those raw materials or commodities which are available for general sale.
1.61.	“goods and/or services”	Includes works, construction and consultant works
1.62.	“granting of rights”	Means the granting by the CoM of the right to utilize, control or manage capital assets in circumstances where section 14 of the MFMA and chapters 2 and 3 of the MATR do not apply.
1.63.	“green procurement”	Means the taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimized.
“H”		
1.64.	“historically disadvantaged individual” or “HDI”	Means South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or who is a female; and/or who has a disability, provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.
“I”		

1.65.	“implementing agent”	Means decision maker/manager mandated by the CoM to implement projects and invite bids/quotations of any nature.
1.66.	“improper conduct”	Means conduct which is tantamount to fraud, corruption, favouritism, unfair, irregular and unlawful practices, misrepresentation on information submitted in bid documents for the purposes of procuring a contract with the CoM, misrepresentation regarding the contractor's expertise and capacity to perform in terms of a contract procured via the supply chain management system, breach of a contract procured via the supply chain management system and failure to comply with the supply chain management system.
1.67.	“in the service of the state”	Refers to the definition of “in the service of the state” as defined in terms of the provisions of regulation 1 of the SCMR.
1.68.	“information technology” or “IT”	Means the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.
1.69.	“integrated development plan” or “IDP”	Means the plan envisaged in terms of the provisions of section 25 of the MSA.
1.70.	“item”	Means an individual article or unit.
“J”		
1.71.	“joint venture”	Means an association of persons or entities formed for the purpose of combining the expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The joint venture or consortium must be formalised by agreement between the parties thereto.

“L”		
1.72.	“list of accredited prospective providers”	Means the list of accredited prospective providers that a municipality must keep in terms of regulation 14 of the SCMR.
1.73.	“local business”	Means service providers with active offices within the municipal area of the CoM, which shall be interpreted on the basis of whether the offices are utilised for the goods and/or services to be procured, and whether the majority are local or North-West people.
1.74.	“local content”	Means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place. “imported content” means that portion of the bid price presented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port of entry.
1.75.	“Local Government: Municipal Finance Management Act” or “MFMA”	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.76.	“Local Government: Municipal Systems Act” or “MSA”	Means the Local Government: Municipal Systems Act, Act 32 of 2000.
1.77.	“long term contract”	Means contract with a duration period exceeding 1 (one) year.
“M”		

1.78.	“municipal asset transfer regulations” or “MATR”	Means the regulations published in terms of the provisions of section 168 of the MFMA, specifically the Asset Transfer Regulations, 2008, published under GN R878 in GG 31346 of 22 August 2008 (with effect from 1 September 2008).
1.79.	“municipal entity”	Refers to the definition of “municipal entity” as defined in terms of the provisions of section 1 of the MSA.
1.80.	“municipal manager”	Means the municipal manager of the CoM, refer to the definition of “accounting officer”.
1.81.	“municipality”	Means the City of Matlosana.
“N”		
1.82.	“non-exempted capital asset”	Means municipal capital asset which is not exempted in terms of the provisions of section 14(6) of the MFMA from the other provisions of that section.
“O”		
1.83.	“obsolete”	Means no longer in use or out of date, to become obsolete by replacing it with something new.
1.84.	“official”	Refers to the definition of “official” as defined in terms of the provisions of section 1 of the MFMA.
1.85.	“one-off contract”	Means discreet contract where specified goods, services or construction works are supplied for an approved contract sum.
1.86.	“organ of state”	Means an organ of state as defined in terms of the provisions of section 239 of the Constitution.
1.87.	“other applicable legislation”	Means any other legislation applicable to the supply chain management of the CoM, including the Preferential Procurement Policy framework Act, Act 5 of 2000, the Broad-Based Black Economic Empowerment Act, Act 53 of 2003 (BBEAA), the Construction Industry

		Development Board Act, Act 38 of 2000, and the Consumer Protection Measures Act, Act 68 of 2008.
“P”		
1.88.	“person”	Means natural person.
1.89.	“planned project work”	Means a specific project identified by a need of the CoM therefore, and as opposed to the supply of goods and/or services that is of an ad-hoc or repetitive nature for a predetermined period of time.
1.90.	“policy”	Means this Supply Chain Management Policy of the CoM.
1.91.	“practitioner”	Means person who practices a profession or art.
1.92.	“preference points”	Refer to “adjudication points” and/or “evaluation points”.
1.93.	“Preferential Procurement Policy Framework Act” or “PPPFA”	Means the Preferential Procurement Policy Framework Act, Act 5 of 2000.
1.94.	“Preferential Procurement Regulations” or “PPR”	Means the regulations published in terms of the provisions of section 5 of the PPPFA, specifically the Preferential Procurement Regulations, 2011 published under Government Gazette No. 34350 of 8 June 2011.
1.95.	“Prevention and Combating of Corrupt Activities Act” or “PCCAA”	Means the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004.
1.96.	“prime contractor”	Means the person or entity with whom/which the CoM will contract, as opposed to sub-contractors, suppliers, manufacturers or service providers who/which contract with the prime contractor.
1.97.	“procedures”	Means sequence of actions or operations which have to be executed in the same manner in order to always

		obtain the same result under the same circumstances, and "process" will have a corresponding meaning.
1.98.	"procurement"	Means process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involves the acquiring of goods and/or services, and engineering and construction works, or any combination thereof, or the acquiring of capital assets or any rights in respect of the above, by means of a purchase, lease or donation and "procuring" has a similar meaning.
1.99.	"project management"	Means the planning, directing and controlling of an organisations resources over a short term to ensure that specific objectives are successfully met.
1.100.	"Promotion of Access to Information Act" or "PAIA"	Means the Promotion of Access to Information Act, Act 2 of 2000.
1.101.	"provider"	Means the person or entity who/which provides, supplies services, goods or works to the CoM.
1.102.	"Public-Private Partnership" or "PPP"	Refers to the definition of "public-private partnership" as defined in terms of the provisions of Regulation 1 of the Municipal Public-Private Partnership Regulations, published under GN R309 in GG 27431 of 1 April 2005 in terms of the provisions of Section 168 of the MFMA..
"Q"		
1.103.	"quality"	Means the measure according to predetermined criteria, of the suitability of a proposal, design or product for the use for which it is intended, and may also include the measure of the competency of a supplier.
"R"		

1.104.	“rand value”	Means the total estimated value of a contract in South African currency, calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties.
1.105.	“redundant”	Means no longer needed or useful, superfluous, unnecessary.
1.106.	“renewal”	Means replace or restore something that is broken or worn-out.
1.107.	“Republic”	Means the Republic of South Africa.
1.108.	“representative”	Means any representative of an affected person in relation to the relevant bid, whether authorized or not, including but not limited to directors, members, employees and agents and include legal representatives.
1.109.	“responsibility”	Means the obligation imposed on an individual to properly exercise the authority vested in him/her, and involves the power to command and to demand action in the proper execution of the relevant duties.
1.110.	“responsible agent”	Means internal project managers being officials of the CoM or external consultants appointed by the CoM pertaining to a project or contract.
1.111.	“Risk management”	Means the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
1.112.	“rules”	Means statements that a specific action must or must not be taken in a given situation.
“S”		
1.113.	“service provider”	Means “service provider “as defined in terms of the provisions of Section 1 of the MSA.

1.114.	“services”	Means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise and/or consultants.
1.115.	“small, medium and micro enterprises” or “SMME”	Refers to “small enterprise” as defined in terms of the provisions of Section 1 of the National Small Enterprise Act, Act 102 of 1996.
1.116.	“sourcing”	Means where an item to procure is obtainable.
1.117.	“specification”	Means the terminology generally used to describe the requirement/s for goods.
1.118.	“stipulated minimum threshold”	Means that portion of local production and content as determined by the Department Trade and Industry.
1.119.	“stores” or “stock”	Means all movable state property/assets that are kept in stock for issue purposes.
1.120.	“strategic goals”	Means areas of the organisational performance that are critical to the achievement of the mission and are statements that describe the strategic direction of the organisation.
1.121.	“strategic objectives”	Means objectives which are more concrete and specific than strategic goals and it must give a clear indication of what the CoM intends on doing or producing in order to achieve the strategic goals it has set for itself.
1.122.	“sub-contract”	Means the primary contractor’s assigning, leasing, making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract.
1.123.	“sub-contractor”	Means any person or entity that is employed, assigned, leased or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.
1.124.	“supplier/vendor”	Means generic term which may include suppliers of goods and/or services, contractors and/or consultants.

1.125.	“supply chain management” or “SCM”	Means as contemplated in terms of the provisions of Section 217 of the Constitution, Part 1 of Chapter 11 of the MFMA read together with the SCMR.
1.126.	“supply chain management policy”	Means this supply chain management Policy of the CoM.
1.127.	“supply chain management regulations” or “SCMR”	Means the regulations published in terms of the provisions of section 168 of the MFMA, specifically the Municipal Supply Chain Management Regulations, published under GenN 868 in GG 27636 of 30 May 2005.
1.128.	“supply chain management unit” or “SCMU”	Means the supply chain management unit which functions under the management and control of the municipal manager of the CoM, which unit is responsible for the implementation and management of this policy.
“T”		
1.129.	“tender”	Means bid in the context of procurement.
1.130.	“term bid”	Means rate-based bid for the ad hoc or repetitive supply of goods, services or construction works, where the individual rates are approved for use over a specified period.
1.131.	“terms of reference” or “TOR”	Means the term used to describe the requirement for professional services.
1.132.	“total cost of ownership” or “TCO”	Means the sum of direct spend, related spend, process spend and opportunity cost associated within a specific commodity and service to the owner.
1.133.	“treasury guidelines”	Means any guidelines on supply chain management issued by the Minister in terms of the provisions of Section 168 of the MFMA.
1.134.	“trust”	Means the arrangement through which the property of one person is made over of bequeathed to a trustee to administer such property for the benefit of another person.

“U”		
1.135.	“unserviceable”	Means the condition of an item that is no longer suitable for use and cannot be economically repaired.
1.136.	“unsolicited bid”	Means an offer submitted by any person or entity at its own initiative, without having been invited by the CoM to do so and specifically refers to the provisions of Section 113 of the MFMA read together with Regulation 37 of the SCMR
“V”		
1.137.	“value for money”	Means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.
1.138.	“verbal quotation”	Refers to “written or verbal quotations” as defined in terms of the provisions of Regulation 1 of the SCMR.
“W”		
1.139.	“written quotation”	Refers to “written or verbal quotations” as defined in terms of the provisions of Regulation 1 of the SCMR.

GLOSSARY TERMS

CFO	Chief Financial Officer
CIDB	Construction Industry Development Board Act, Act 38 of 2000.
CoM	City of Matlosana local municipality
CSD	Central Supplier Database
Council	Municipal Council of the CoM
IDP	Integrated development plan
MBRR	Local Government: Municipal Finance Management Act Municipal Budget and Reporting Regulations
MFMA	Local Government: Municipal Finance Management Act, 2003
MSCMR	Local Government: MFMA, 2003 Municipal Supply Chain Management Regulations
NT	National Treasury
MSA	Local Government: Municipal Systems Act, Act 32 of 2000, as amended
PT	Provincial Treasury
PPPFA	Preferential Procurement Policy Framework Act, Act 5 of 2000.
PPR	Preferential Procurement Regulations, Government Gazette No. 34350 of 8 June 2011
PPP	Public-Private Partnership Regulations, GN R309 in GG 27431 of 1 April 2005
SCMP	CoM Supply Chain Management Policy
SARS	South African Revenue Services
TCC	Tax Clearance Certificates
TCS	Tax Compliant Status / system

2. INTRODUCTION

- (1) Section 111 of the MFMA requires each municipality to adopt and implement a supply chain management policy which gives effect to the requirements of the MFMA, and section 217(1) of the Constitution, in addition, the PPPFA requires an Organ of State to determine its preferential procurement policy and to implement it within the framework prescribed. These requirements are given effect to herein.

- (2) The supply chain management system of the CoM, contained in this policy, provides a mechanism to ensure sound, sustainable and accountable supply chain management within the CoM whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
 - (a) To stimulate and promote local economic development in a targeted and focused manner;
 - (b) To promote resource efficiency and greening;
 - (c) To facilitate creation of employment and business opportunities for the people of Matlosana with particular reference to HDI's;
 - (d) To promote the competitiveness of local businesses;
 - (e) To increase the small business sector access, in general, to procurement business opportunities created by Council;
 - (f) To increase participation by small, medium and micro enterprises; and
 - (g) To promote joint venture partnerships.

3. TITLE AND APPLICATION OF THE POLICY

- (1) This policy shall be known as the CoM's Supply Chain Management Policy, and is applicable to the municipal area of the CoM as determined by the Municipal Demarcation Board.
- (2) This policy applies to-
 - (a) The procuring of goods and/or services;
 - (b) The disposal by council of goods no longer needed;
 - (c) The selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; and
 - (d) The selection of external mechanisms referred to in section 80(1)(b) of the MSA for the provisions of municipal services in circumstances contemplated in section 83 of that act.
- (3) Unless specifically stated otherwise, this policy does not apply where the CoM contracts with another organ of state for-
 - (a) The provision of goods and/or services to the CoM; or
 - (b) The provision of a municipal service; or
 - (c) The procurement of goods and services under a contract secured by that organ of state, provided that the relevant supplier has agreed to such procurement and the process is compliant to the provisions of section 12.18 of this policy
 - (d) The Policy must be read and applied with the Supply Chain Management Procedure Manual and the SCM Model Policy for infrastructure procurement and delivery management, where the SCM Policy including the SCM Manual and the Model Policy on infrastructure procurement are in conflict when procuring an

infrastructure project, only the SCM Model Policy on Infrastructure procurement shall take precedence

- (e) A report must nevertheless be submitted to the bid **Evaluation and Adjudication committee** seeking authority to contract with another organ of state; Including, water from the Department of Water Affairs or a public entity, another municipality or municipal entity and electricity from Eskom or another public entity, another municipality or municipal entity.
- (4) The CoM and any private person/s and/or entities must adhere to the principles, provisions, rules and requirements contained in this policy when dealing with any matter connected with and/or contained herein.

4. AIM AND PURPOSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The aim and the purpose of the supply chain management system is to have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain system when sourcing and procuring goods and/or services, as well as the sale and letting of assets, which conform to constitutional and legislative principles and maximizes the benefits from its consolidated buying power in the market place.
- (2) The CoM must manage its financial and administrative resources in such a manner to meet and sustain its supply chain purpose.

5. OBJECTIVES OF THE POLICY

- (1) The objectives of this policy is to implement the legislative provisions relating to the supply chain management of the CoM, that-
 - (a) Gives effect to-
 - (i) The provisions of section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the MFMA;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) Complies with-
 - (i) The regulatory framework prescribed in Chapter 2 of the SCMR; and
 - (ii) Any minimum norms and standards that may be prescribed in terms of the provisions of section 168 of the MFMA;
 - (d) is consistent with other applicable legislation;
 - (e) Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The CoM may not act otherwise than in accordance with this supply chain management policy when-
 - (a) Procuring goods and/or services;
 - (b) Disposing of goods no longer needed;

- (c) Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; or
 - (d) In the case of the CoM selecting external mechanisms referred to in section 80(1)(b) of the MSA for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) To assure the creation of an environment where business can be conducted with integrity and in a fair, reasonable and accountable manner, this policy will ensure that the municipal manager and all representatives of the CoM involved in supply chain management activities must act with integrity, accountability, transparency and with the highest ethical standards.
- (a) All supply chain management representatives must adhere to the code of ethical standards contained in section 20 of this policy together with the code of conduct for municipal staff contained in schedule 2 of the MSA.

6. DELEGATED AUTHORITY OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

- (1) The council of the CoM has, in terms of its delegation of powers and functions in terms of the provisions of section 59 of the MSA, delegated such additional powers and duties to the municipal manager so as to enable the municipal manager –
 - (a) To discharge the supply chain management responsibilities conferred on accounting officers in terms of-
 - (i) Chapter 8 of the MFMA; and
 - (ii) This policy;
 - (b) To maximise administrative and operational efficiency in the implementation of the supply chain management system;
 - (c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management system; and
 - (d) To comply with his or her responsibilities in terms of the provisions of section 115 and other applicable provisions of the MFMA.
- (2) Section 79 of the MFMA applies to the sub-delegation of powers and duties delegated to the municipal manager in terms of sub-section (1).
- (3) Neither the council nor the municipal manager of the CoM may delegate or sub-delegate any supply chain management powers or duties-
 - (a) To a person who is not an official of the CoM; or
 - (b) To a committee which is not exclusively composed of officials of the CoM.
- (4) This section may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive

bidding process otherwise than through the committee system provided for in section 12.8.

- (5) No decision-making in terms of any supply chain management powers and duties may be delegated or sub-delegated to an advisor or consultant.
- (6) Delegations and/or sub-delegations of authority-
 - (a) Must be in accordance with pre-established levels of authority to ensure control and division of responsibility;
 - (b) Must be in writing;
 - (c) Must be made to a specific position and not to a named individual;
 - (d) may be confirmed, varied or revoked by the person who made such delegation or sub-delegation, but no such variation or revocation may detract from any right which may have accrued as a result of the delegation or sub-delegation; and
 - (e) Does not divest the municipal manager of the responsibility and/or accountability concerning the exercise of the delegated power or the performance of the delegated duty.
- (7) The municipal manager may confirm, vary or revoke any decision taken in terms of a delegation or sub-delegation, provided that no such variation or revocation may detract from any right which may have accrued as a result of such decision.
- (8) The municipal manager of the CoM must develop a practical and efficient system of delegation and sub-delegation that will both maximize administrative and operational efficiency and provide adequate checks and balances in the financial administration of the CoM.

6.1 Sub-Delegations

- (1) The municipal manager may, in terms of the provisions of section 79 of the MFMA sub-delegate any supply chain management powers and duties, including those delegated to the municipal manager in terms of section 6 (1), but any such sub-delegation must be consistent with section 6 and sub-section (2).
- (2) The power to make a final award-
 - (a) Above R10 million (including VAT) may not be sub-delegated by the municipal manager;
 - (b) Above R2 million (including VAT), but not exceeding R10 million (including VAT), may be sub-delegated but only to-
 - (i) The chief financial officer;
 - (ii) director/senior manager; or
 - (iii) The bid adjudication committee of which the chief financial officer or a director/senior manager is a member; or
 - (c) Not exceeding R2 million (including VAT) may be sub-delegated but only to-
 - (i) The chief financial officer;
 - (ii) director/senior manager;
 - (iii) A manager directly accountable to the chief financial officer or a director/senior manager; or
 - (iv) The bid adjudication committee.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-section (2) must within 5(five) days of the end of each month submit to the official referred to in

sub-section (4) a written report containing particulars of each final award made by such official or committee during that month, including-

- (a) The amount of the award;
- (b) The name of the person to whom the award was made; and
- (c) The reason why the award was made to that person.

(4) A written report referred to in sub-section (3) must be submitted-

- (a) To the municipal manager, in the case of an award by-
 - (i) The chief financial officer;
 - (ii) A director/senior manager; or
 - (iii) The bid adjudication committee of which the chief financial officer or a director/senior manager is a member; or
- (b) To the chief financial officer or the director/senior manager responsible for the relevant bid, in the case of an award by-
 - (i) A director/manager referred to in sub-section (2) (c) (iii); or
 - (ii) The bid adjudication committee of which the chief financial officer or a director/senior manager is not a member.

(5) Sub-sections (3) and (4) do not apply to procurements out of petty cash.

(6) This section may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in section 12.8.

6.2 Oversight role of the CoM

(1) The council of the CoM must maintain oversight over the implementation of this policy by the municipal manager.

(2) For the purposes of such oversight the municipal manager must-

- (a)
 - (i) within 30 (thirty) days of the end of each financial year, submit a report on the implementation of this policy of the CoM to the council;
 - (ii) Whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council of the CoM.
- (3) The municipal manager must, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this policy to the Executive Mayor of the CoM.
- (4) The reports of the CoM must be made public in accordance with the provisions of section 21A of the MSA.
- (5) The Executive Mayor of the CoM must provide general political guidance over the fiscal and financial affairs of the CoM and may monitor and oversee the exercise of responsibilities assigned to the municipal manager and chief financial officer in terms of the MFMA. This role of the Executive Mayor is an oversight role only, and specifically excludes any interference or influence in or over a decision to award procurement contracts.

6.3 Supply Chain Management Units

- (1) The CoM must establish a supply chain management unit to implement this policy.
- (2) The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of this section.

7. COMPETENCY AND TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

- (1) The municipal manager must ensure that all persons involved in the implementation of this policy meet the prescribed competency levels, and where necessary, shall provide relevant training.
- (2) The training of officials involved in implementing this policy must be in accordance with any Treasury guidelines on supply chain management training.

8. DUTIES AND RESPONSIBILITIES

8.1 General Responsibilities of the Officials of the CoM

- (1) Each official must carry out its activities within his/her area of responsibility.
- (2) Each official must take appropriate steps to prevent any unauthorized, irregular, fruitless and wasteful expenditure in his/her area of responsibility.
- (3) Each official responsible for a task must carry it out in accordance with the various supply chain requirements contained in this policy.
- (4) Any matter not specifically delegated or sub-delegated to an official, must be referred to the municipal manager for proper allocation thereof.
- (5) Each official is responsible for all assets of the CoM within his/her area of responsibility.

8.2 Responsibilities of the Municipal Manager

- (1) The municipal manager must-
 - (a) Ensure strict adherence and compliance with the provisions of this policy and all relevant legislation;
 - (b) Implement this policy;

- (c) Review the targets and this policy annually or cause the targets and policy to be so reviewed;
- (d) Appoint the members of the Bid committees after personally ensuring the competency of such members for the position;
- (e) To ensure that the most favourable service providers are appointed and that any deviations from a proposal by the bid adjudication committee are, at the next available council meeting, reported to the council;
- (f) Establish a supply chain management unit within the financial directorate in order to assist the municipal manager to implement this policy; and
- (g) Comply with the provisions of section 19 of this policy.
- (h) To make sure that the procurement planning of the 2019/2020 financial year start simultaneously with the budget process and is approved with the budget before the 30 June 2019

8.3 Responsibilities of the Directors

Each director of the CoM is responsible and accountable for-

- (a) Exercising the powers, performing the functions and discharging the duties conferred or assigned to him in terms of this policy or any delegation from the municipal manager;
- (b) Implementing this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;
- (c) Ensure compliance with this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;

- (d) developing draft specifications, or causing draft specifications to be developed, for the procurements by his/her directorate which procurements exceed an amount of R30.000 (including VAT);
- (e) The management of asset utilization in his/her area of responsibility;
- (f) Compile the procurement plan and, in as far as is possible, accurately estimating the costs for the provision of services, works or goods for which offers are to be solicited and ensures that the plan is submitted to the SCM Unit
 - (1) To make sure that the procurement planning of the 2019/2020 financial year start simultaneously with the budget process and is approved with the budget before the 30 June 2019
- (g) Selecting the appropriate preference point system to be utilized in the evaluation of offers;
- (g) Assuring that objectives and targets are achieved with regard to procurements and/or disposals by the CoM; and
- (h) Proper contract and project management over every contract and/or project undertaken by his/her directorate.
- (l) Ensures that the objective of the provincial VTSD are met on any project advertised by council and compile progress report for council

8.4 Responsibilities of the Chief Financial Officer

- (1) The Chief Financial Officer is the custodian of this policy responsible for-
 - (a) Reporting on the progress regarding the implementation of this policy;
 - (b) Recommending improvements on the practical implementation of this policy and possible amendments;
 - (c) the conducting of procurement audits of the entire supply chain management system to identify successes and/or failures and/or unauthorized, irregular, fruitless and wasteful expenditure and to

report on any findings which are not in accordance with the provisions of this policy to the municipal manager;

- (d) Management of the quotation and competitive bidding process from the solicitation thereof to processing invoice payment;
- (e) Promoting a corporate approach by encouraging standardization of items purchased within the CoM to realize economies of scale;
- (f) Providing supplier interface on supplier performance issues;
- (g) Ensuring that all procurements and/or disposals are effected by complying with all relevant legislation;
- (h) Managing procurements and/or disposals in order to ensure that the supply chain management system and this policy are complied with;
- (i) Ensuring that the procurement and/or disposal process followed by the CoM adheres to the preference targets without compromising price, quality, service and developmental objectives;
- (j) ensuring that the employees of the CoM who are involved in the supply chain management process receive the necessary training and are properly qualified to support the implementation of this policy;
- (k) Specifying the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the CoM;
- (l) The verification of applications from prospective service providers for possible inclusion in the Register; and
- (m) Submitting regular reports to the municipal manager and the finance portfolio committee regarding progress and any matters of importance relating to this policy. developing draft specifications, or causing draft specifications to be developed, for the procurements by his/her directorate which procurements exceed an amount of R30.000 (including VAT);

- (n) The management of asset utilization in his/her area of responsibility;
- (o) compile the procurement plan for and, in as far as is possible, accurately estimating the costs for the provision of services, works or goods for which offers are to be solicited and ensures that the plan is submitted to the SCM Unit
- (p) Ensures that directors are informed in the beginning of the budgeting process to compile their proposed needs on the plan and consider the changes made during the process and update the plan accordingly until the final budget and the procurement plan are finalised

8.5 Responsibilities of the Supply Chain Management Unit

- (1) The SCMU shall be subject to the management and control of and accountable to the chief financial officer.
- (2) The SCMU must consist of at least the following sections-
 - (a) A demand management section;
 - (b) A procurement section/acquisition management section;
 - (c) A logistics section;
 - (d) A performance and contract management section;
 - (e) A disposal and asset management section; and
 - (f) A risk management section.
- (3) The manager of the SCMU will be responsible and accountable for the day-to-day management of the SCMU.
- (4) The personnel of the SCMU are appointed by the municipal manager in consultation with the chief financial officer.
- (5) The SCMU must issue, receive and finalize all documents for the procurement of goods and/or services by means of verbal, written or formal price quotations of a transaction value of over R2000 (including VAT), up to R200 000

(including VAT), as well as all documents for procurement by means of a competitive bidding process of a transaction value of over R200 000 (including VAT).

- (6) All documents for the disposal of movable and/or immovable capital assets must be issued, received and finalized by the SCMU.
- (7) The SCMU must endeavour to, in as far as is reasonably possible, to inform all unsuccessful bidders that the bid submitted to the CoM has not been accepted and the details of the bid which has been accepted by the CoM.

9. GENERAL

9.1 Amendment and review of this policy.

- (1) The municipal manager of the CoM must-
 - (a) At least annually review the implementation of the policy; and
 - (b) When the municipal manager deems it necessary, submit proposals for the amendment of the policy to the council.
- (2) When amending this policy, the CoM must take account of the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses.

9.2 Availability of Supply Chain Management Policy

A copy of this policy and other relevant documentations are available on the website of the CoM.

9.3 Communications

Any and all correspondence with regard to this policy must be addressed to the manager of the SCMU, and copied to the municipal manager.

CHAPTER 2: FRAMEWORK OF SCM POLICY

10 ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The supply chain management system of the CoM is an integrated system for the acquiring of goods, works and services on a competitive basis consists of the following systems-
- (a) Demand management system;
 - (b) Acquisition management system;
 - (c) Logistics management system;
 - (d) Disposal management system;
 - (e) Risk management system; and
 - (f) Performance management system.

11 DEMAND MANAGEMENT

- (1) Demand management provides for an effective system to ensure that the resources required to support the strategic and operational commitments of the CoM are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the CoM.
- (2) The CoM's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the CoM intends to execute its development

challenges in a financial year. It is on the basis of the IDP that the resources of the CoM will be allocated and on which the budget is based.

(3) In order to achieve effective demand management, the manager of the SCMU must continuously ensure:

(a) That efficient and effective provisioning and procurement systems and practices are implemented to enable the CoM to deliver the required quantity and quality of services to the communities;

(b) The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability;

(c) the development of a world-class professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced; and

(d) In dealing with suppliers and potential suppliers that the CoM shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

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

(a) Establishing requirements;

(b) Determining needs; and

(c) Deciding on appropriate procurement strategies.

(5) Demand management accordingly involves the following activities:

(a) Understanding the future needs;

(b) Identifying critical delivery dates;

- (c) Identifying the frequency of the need;
 - (d) Linking the requirement to the budget;
 - (e) Conducting expenditure analyses based on past expenditure;
 - (f) Determining requirements,
 - (g) Conducting commodity analysis in order to check for alternatives; and
 - (h) Conducting industry analysis.
- (6) Each director of the CoM must, during the preparation of his/her directorate's estimates for the budget year-
- (a) Determine which functions it must perform;
 - (b) Determine the products and services it must provide in the performance of those functions;
 - (c) Conduct a condition assessment of the assets managed by his directorate;
 - (d) On the basis of its analysis in terms of the above, determine its financial needs during the budget year for:
 - (i) Maintaining existing assets at an acceptable level calculated to ensure the continued productivity of the asset in question and minor repairs;
 - (ii) Repairing existing assets;
 - (iii) Refurbishing or renovating existing assets;
 - (iv) Extensive repairing of existing assets;
 - (v) Replacing existing assets; and
 - (vi) Acquiring new assets.

- (7) The SCMU must, after consultation with each director, compile a schedule of procurements for capital projects in respect of each financial year, which schedule must be attached to the CoM's budget implementation plan.
- (8) During the consultations between the SCMU and the directors of the CoM, all reasonable steps must be taken in order to determine:
 - (a) The desired date and time at which a specific contract must be awarded;
 - (b) The desired date and time when specific goods must be delivered, services rendered or work executed;
 - (c) The place where any goods to be supplied shall be delivered;
 - (d) The quantity of any goods to be supplied;
 - (e) ensure that the procurement plan of the municipality is consolidated and approved
 - (e) And any other relevant matter.

Based on the schedule of procurement submitted by the HOD's, Supply Chain Management Unit shall perform the following :

- (a) Need analysis
- (b) Market analysis
- (c) Commodity analysis
- (d) Price analysis
- (e) Industrial analysis
- (f) Past expenditure trend and procurement method.
- (g) Determine optimum method to satisfy the need.

(11.2) Infrastructure Procurement and Delivery Management

(New infrastructure, rehabilitation, refurbishment and alteration of the existing infrastructure)

Municipality adopted National Treasury Standard for Infrastructure Procurement and Delivery Management which will assist the Municipality with better planning and to obtain necessary value for money when undertaking infrastructure projects.

The following shall be steps to be followed by the departments or delegated officials when planning for infrastructure procurement and delivery management.

0. Project Initiation

An initiation report which outlines the high – level business case together with the estimated projects cost and proposed schedule for a single project or a group of projects have high level scope.

1. Infrastructure Planning

An infrastructure plan which identifies and prioritizes projects and packages against forecasted budget over a period of at least five years.

2. Strategic Sourcing

A delivery and /or procurement strategy which, for a portfolio of projects, identifies the delivery strategy in respect of each project or package and where needs are met through own procurement system, a procurement strategy.

3. Prefeasibility

A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage.

4. Preparation and briefing

A strategic brief which defines project objectives, needs, acceptance criteria and clients priorities and aspirations, and which set out the basis for the development of the concept report for one or more packages.

5. Feasibility

A feasibility report which presents sufficient information to determine whether or not the project should be implemented.

6. Concept and Viability

A concept report which establishes the detailed brief, scope, scale form and control budget and sets out the integrated concept for one or more packages.

7. Design Development

A design development report which develops in details the approved concept to finalize the design and definition criteria, sets out the integrated integrated developed design, contains the cost plan and schedule for one or more packages.

8. Design Development

Production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either

construction (where contractor is able to build directly from the information prepared) or the production of manufacturing and installation information for construction.

Manufacture, fabrication and construction information produced by or on behalf of the contractor, based on the production information provided for a package which enables manufacture, fabrication or construction to take place.

A concept report which establishes the detailed brief, scope, scale form and control budget and sets out the integrated concept for one or more packages.

9. Works

Completed works which are capable of being occupied or used.

10. Handover

Works which have been taken over by the user or owner complete with record information.

11. Package completion

Works with notified defects corrected, final account settled and the close out report issued.

Gateway reviews for major capital projects above threshold

The gateway review team shall be appointed comprise with not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverables. The following shall apply:

- I. such team must be lead by a person who has at least six years post graduate experience in planning of infrastructure projects.
- II. such team must be registered either as a professional engineering terms of the engineering profession Act, a professional Quantity surveyor in terms of the Quantity surveying profession Act or a professional architect in terms in terms of Architectural profession Act.
 - III. such team must have expertise in the key technical area, cost estimates, scheduling and implementation of similar projects.
 - IV. the relevant treasury shall be notified of a proposed gateway review for a major capital projects, three weeks prior to the conducting of such review.
 - V. relevant treasury may at any time institute a gateway review of any of the stage deliverables associated with the control framework, irrespective of the estimated cost of a project.

- VI. the relevant treasury may nominate additional persons to serve on the review team.

10.5 Gateway reviews team mandate

- I. deliverability – the extent to which a project is deemed likely to deliver the expected benefits within the declared costs, time and performance envelop.
- II. affordability - the extent to which the level of expenditure and financial risk involved in a project can be taken up on, given the organization's overall financial position, both singly and in light of its other current and projected commitments.
- III. value for money.

10.6 Thresholds for gateway reviews of major capital

Organ of state	Estimated cost inclusive of vat
National Department	R 100 Million
Provincial Departments and municipalities metropolitan	R 100 million
Municipalities other than a metropolitan Municipality	R 50 million
Major Public entity	R 500 Million
National government business enterprise Provincial government business enterprise	R 250 Million
Other	R 100 Million

12 ACQUISITION MANAGEMENT

- (1) The acquisition management system provides the general conditions and procedures which are applicable, as amended from time to time, to all procurements, contracts and orders of the CoM.
- (2) The acquisition management system of the CoM must ensure that-
 - (a) Goods and/or services are procured by the CoM in accordance with authorised processes incorporated herein;
 - (b) Expenditure on goods and/or services is incurred in terms of an approved budget;
 - (c) The threshold values for the different procurement procedures are complied with;
 - (d) bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with the requirements of relevant legislation including the PPPFA and any conditions of the CIDBA; and
 - (e) Procurement guidelines issued by the National Treasury are properly taken into account.
- (3) The CoM must make public the details of the nature of goods and/or services together with the name/s of the provider/s where the CoM procures such goods and/or services from another organ of state or a public entity.
- (4) The CoM must make public the fact that it procures goods and/or services otherwise than through its supply chain management system, including-
 - (a) The kind/type of goods and/or services; and
 - (b) The name of the supplier.
- (5) Where appropriate the municipal manager may appoint a neutral and/or independent observer in order to ensure fairness and transparency in the application of the acquisition management system, or to assist and advise the SCMU in the execution of their functions and duties.

- (6) The CoM may not enter into any contract which will impose financial obligations beyond the 3(three) years covered in the annual budget for that financial year unless the requirements of section 33 of the MFMA have been fully complied with or proper provision have been made in such contract to so comply.
- (7) The following applies where the CoM procures public-private partnership agreements-
 - (a) Part 2 of chapter 11 of the MFMA; and
 - (b) Section 33 of the same act where such agreement will have multi-year budgetary implications for the CoM within the meaning of that section.
- (8) In respect of any contract relating to the publication of official and/or legal notices and/or advertisements in the press by or on behalf of the CoM, a competitive bidding process need not be followed.
- (9) The manager of the SCMU may request quotations directly from community based vendors in a specific area or from a specific community for the procurement of goods and services for transaction amounts of a value less than R30 000 (including VAT).

12.1 Range of Procurement Processes

- (1) The procurement of goods and services must be done through the range of procurement processes set out in this section, which are-
 - (a) petty cash purchases up to, and including a transaction value of R2000 (including VAT);
 - (b) Written or verbal quotations for procurements of a transaction value exceeding R2000, up to and including a transaction value of R10 000 (including VAT);
 - (c) Formal written price quotations for procurements of a transaction value exceeding R10 000, up to and including a transaction value of R200 000 (including VAT); and

- (d) A competitive bidding process for-
 - (i) Procurements where the estimated transaction value exceeds R200 000 (including VAT); and
 - (ii) The procurement of a long terms contract (exceeding one year in duration).
- (2) The municipal manager of the CoM may-
 - (a) Lower, but not increase, the different threshold values specified in this acquisition management system; or
 - (b) Direct that-
 - (i) Written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2000;
 - (ii) Formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - (iii) A competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (3) Goods and/or services may not be deliberately divided into parts or items of a lesser value merely to avoid complying with the requirements of this policy and when transaction values are determined for procurements consisting of different parts or items it must, in as far as possible, be treated, dealt with and be calculated as a single transaction.
- (3.1) Purchases below R30 000 must be done once per financial year and per good or service
- (3.2) any good or service with a consumption of six (6) per annum or financial year and above the R30000 but equals to R200 000 (vat inclusive) threshold shall be procured through a closed quotation advertised for seven days or if the good or service exceed R200 000 (vat inclusive) it shall be procured through the bidding process as indicated in this policy

(3.3) notwithstanding the above mentioned provisions, the department shall submit a written request for a grace period of not less than three months to continue with the normal quotation process while preparing the bidding process or seven (7) days close quotation.

12.2 General Preconditions for Consideration of Written Quotations or Bids

- (1) The CoM may not consider a written quotation or bid unless the provider who submitted the quotation or bid-
 - (a) Has furnished the CoM with that provider's-
 - (i) complete form of the MBD(municipal bid document) -4
 - (b) Has submitted an original and valid tax clearance certificate certifying that the provider's tax matters is in order; or tax pin number
 - (c) has authorised the CoM to obtain a tax clearance from the South African Revenue Services (SARS) that the provider's tax matters are in order, if deemed necessary; and
 - (d) Has indicated-
 - (i) Whether he/she or it is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-paragraph (ii) is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months.

12.3 List of Accredited Prospective Providers or central supplier database

- (1) The municipal manager must –
 - (a) make sure that all service providers and suppliers doing business with the municipality are registered on the central supplier database and municipal supplier database and are in good standing with all the requirement of the CSD and the municipal supplier database.
 - (b) At least once a year through newspapers commonly circulating locally, the website of the CoM and any other appropriate ways, to invite and encourage prospective providers of goods and/or services to be registered on the central supplier database and the municipal supplier database.
 - (d) Refuse to do business with supplier who did not register on the CSD and the municipal supplier database
- (2) The prospective suppliers and service providers must also be made aware to updated their information as and when the need arises
- (3) the municipality reserve the right to request any further information for verification purpose and failure by the service provider or supplier to comply will render the tender or quotation invalid/or non-responsive
- (4) All parties to a Joint Venture must comply with the requirements for registration on the CSD and the municipal supplier database as indicated above.

12.4 Petty Cash Purchases

- (1) Petty cash purchases may be made where goods and/or services which does not exceed a transaction value of R2000 (including VAT) are required and only one (1) written or verbal quotation is required for the transaction in which an amount less than R2000.00 is used without following the petty cash process petty cash, provided that the CoM's procedures and guidelines for petty cash purchases, which are provided in Schedule "A" to this policy, must be strictly adhered to.

- (2) The municipal manager may delegate the petty cash procurement responsibilities to an official reporting to the municipal manager on such terms and conditions as the municipal manager deems fit.
- (3) Each director of the CoM must compile and submit a monthly reconciliation report to the chief financial officer, which report must include the total amount of petty cash purchases for that months accompanied by the receipts and appropriate documents for each purchase.
- (4) Dividing required purchases into lesser transaction values in order to circumvent the written price quotation and/or formal written price quotation processes is not permissible.
- (5) The total number of petty cash purchases per directorate is limited to 10 (ten) per month.

12.5 Written or Verbal Quotations

- (1) When the CoM intends to procure goods and/or services which has a transaction value of over R2000 (including VAT) up to and including R10 000 (including VAT), written price quotations must be obtained from at least 3 (three) different providers preferably from, but not limited to, providers whose names appear on the central supplier database, provided that if quotations are obtained from providers who are not so listed, such providers must be able to register on the CSD and the approval must be obtained from the Chief Financial Officer or delegated person and on condition that the service is from the sole supplier or it is an emergency.
- (2) The CoM must attempt to promote ongoing competition amongst providers of goods and/or services by inviting such providers to submit written or verbal quotations on a rotational basis.
- (3) To the extent feasible, providers must be requested to submit such quotations in writing.
- (4) If it is not possible to obtain at least 3 (three) written quotations, the reasons must be recorded and approved by the manager of the SCMU who must,

within 3 (three) days before the end of each month, report to the chief financial officer on any approvals given in this regard.

- (5) Where the manager of the SCMU does not approve of the reasons for not complying with this section, no purchases may be made and quotations must be obtained *de novo*.
- (6) The municipal manager must record the names of the potential providers requested to provide quotations, together with their quoted prices.
- (7) If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
- (8) Dividing required purchases into lesser transaction values in order to circumvent the written price quotation process is not permissible.
- (9) All orders in respect of written or verbal price quotations must be approved and released in writing by the municipal manager,
- (10) The municipal manager must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations is not abused.
- (11) The municipal manager and the chief financial officer must, on a monthly basis, be notified in writing of all written or verbal price quotations accepted by an official acting in terms of a sub-delegation.
- (12) Two separate quotations must be obtained by the CoM when specifically dealing with procurements for strip and quote services.

12.6 Formal Written Price Quotations

- (1) When the CoM intends to enter into any contract for the procurement of goods and/or services of a transaction value of over R10 000 (including VAT) up to and including R200 000 (including VAT), a minimum of 3 (three) formal written price quotations must be obtained from providers who are suitably qualified and experienced, who/which consists over the necessary resources and who/which are registered and verified on the central supplier database.

- (2) The CoM must attempt to promote ongoing competition amongst providers of goods and services by inviting such providers to submit formal written price quotations on a rotational basis.
- (3) Requests to submit formal written price quotations which are likely to be in excess of R30 000 (including VAT), must be advertised for at least 7 (seven) days on the official website of the CoM as well as the official notice board of the CoM.
- (5) If it is not possible to obtain at least 3 (three) formal written price quotations, the reasons must be recorded and approved by the chief financial officer who must, within 3 (three) days before the end of each month, report to the municipal manager on any approvals given in this regard.
- (6) Where the chief financial officer does not approve of the reasons for not complying with this section, no purchases may be made and quotations must be obtained *de novo*.
- (7) The municipal manager must record the names of the potential providers requested to provide formal written price quotations, together with their quoted prices.
- (8) Notwithstanding the provisions of this section, if formal written price quotations have been invited on the official website of the CoM, no additional quotes need be obtained where the number of responses thereto are less than 3 (three).
- (9) The municipal manager must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations are not abused.
- (10) The municipal manager and the chief financial officer must, on a monthly basis, be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub-delegation.

12.7 Exemption from obtaining three (3) Quotations.

12.7.1 When procuring works, goods and services, supply chain management unit shall be exempted from obtaining three (3) quotations and such shall be limited to R 200 000.00 (vat inclusive).

12.7.2 Preferably, the preferred service provider must be on the supply chain management accredited list of service providers or meet the listing criteria. Where it is impractical to obtain service provider from the accredited list or meeting minimum listing criteria, such Procurement will be approved by the Assistant Director responsible for supply chain management / Chief Financial Officer.

12.7.3 For all this exemption the accounting officer authorizes the Chief Financial Officer / Head of Supply Chain Management to sourcing at least one quotation for the following items:

1. Newspaper Advertisements.
2. Stamp and postage.
3. Courier services.
4. Annual subscriptions and membership.
5. Annual registrations.
6. Registration and licensing.
7. General repairs and maintenance of agent products.
8. Venues and accommodation bookings.
9. Medical products and services.
10. Repairs for certificate of roadworthy.
11. Emergency repairs.
12. Stripe and quote.
13. Legislative books / documents.
14. Traffic books / documents.
15. Medical examinations.
16. Plants and flowers.
17. Burial services.
18. Firearm training

12.7 Competitive Bids and Process for Competitive Bids

- (1) Competitive bids must be called for any procurement of goods and/or services above a transaction value of R200 000 (including VAT), and/or for any long term contracts.

- (2) Goods and/or services above an estimated transaction value of R200 000 (VAT included), may not be deliberately divided into parts or items of lesser value merely for the sake of circumventing the competitive bidding process and procuring such goods and/or services otherwise than through a competitive bidding process.
- (3) Goods and/or services to be procured which consist of different parts or items must, in as far as possible, be treated, dealt with and be calculated as a single transaction.

12.7.1 Bid documentation for competitive bids

- (1) In addition to section 12.2 of this policy, the compilation of bid documentation by the CoMmust-
 - (a) Take into account and contain, where applicable-
 - (i) The general conditions of contract of National Treasury (July 2010, or as amended from time to time);
 - (ii) Any Treasury guidelines on bid documentation;
 - (iii) the requirements, including the General Conditions of Contract, of the Construction Industry Development Board, in the case of a bid relating to construction works, upgrading or refurbishment of buildings or infrastructure as contemplated in the CIDBA; and
 - (iv) Supply chain management guidelines of the National treasury in respect of goods and/or services;
 - (v) The General Conditions & Procedures of the State Tender Board;
 - (vi) The General Conditions of Contract for Construction Contracts, 2010 of the South African Institute of Civil Engineers;

in as far as the contents of the above referred to documents are in accordance and amplification of this policy, but in the event of any conflict between the contents of these documents and this policy, the provisions of this policy will prevail.

- (b) Include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) If the value of the transaction is expected to exceed R10 million (including VAT), require bidders to furnish-
 - (i) Their audited annual financial statements, if the bidder is required by law to prepare annual financial statements for auditing--
 - (aa) for the past 3(three) years; or
 - (bb) since their establishment if established during the past 3 (three) years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 (thirty) days;
 - (iii) Particulars of any contracts awarded to the bidder by an organ of state during the past 5 (five) years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and
 - (iv) a statement indicating whether any portion of the goods and/or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of

payment from the CoM is expected to be transferred out of the Republic;

- (e) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
 - (f) a clear indication of the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory;
 - (g) An appropriate contract and/or delivery period specification for all contracts;
 - (h) The requirements of the preferential procurement section of this policy (Chapter 5) and be clearly set out in the bid documentation.
- (2) Bid documentation and evaluation criteria may not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement section of this policy.
- (3) Bid documentation must compel a bidder to furnish the following:
- (a) Full name/s;
 - (b) Identification number, company or other registration number;
 - (c) Tax reference number;
 - (d) VAT registration number, if any; and
 - (e) An original tax clearance certificate from SARS stating that the bidder's tax matters are in order or valid tax pin code

- (4) Bid documentation must stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation) or, where unsuccessful, in a South African court of law.
- (5) A provision for the termination/cancellation of the contract in the case of no or under-performance must be included in the bid documentation.
- (6) Unless otherwise indicated in the bid documents, the CoM will not be liable for any expenses incurred in the preparation and/or submission of a bid.
- (7) Bid documentation must state that the CoM is not be obliged to accept the lowest bid, any alternative bid or any bid.
- (8) Bid documentation must compel bidders to declare any conflict/s of interest they may have in the transaction for which the bid is submitted.
- (9) The bid documentation must require bidders to disclose:
 - (a) Whether such bidder is in the service of the state, or has been in the service of the state within the previous 12 (twelve) months;
 - (b) if the bidder is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months; or
 - (c) Whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in (b) above is or has been in the service of the state within the previous 12 (twelve) months.
- (10) Bid documentation for consultant services must require bidders to furnish to the CoM particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last 5 (five) years.
- (11) Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant,

machinery, item, system or process designed or devised by a consultant in terms of an appointment by the CoM, shall vest in the CoM.

- (12) Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
- (13) An alternative bid must be submitted on a separate complete set of bid documents and must clearly be marked "Alternative Bid", in order to distinguish it from the unqualified bid.
- (14) Bid documentation must state that the CoM will not be bound to consider alternative bids.
- (15) Bid documentation must provide the validity period of the bid.
- (16) Unless the municipal manager directs otherwise, bids are invited within the Republic only.
- (17) The laws of the Republic will apply and govern contracts of the CoM arising from the acceptance of bids.

12.7.2 Public invitation for competitive bids

- (1) A notice of invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating within the municipal area of the CoM in English, the website of the CoM, the official notice board of the CoM ,the E-tender on the central supplier database or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).when advertising a tender, the date must be the same on all medium of communication except if placed on the national newspaper which will be issued on the weekend after the bid advertised on the local newspaper.
- (2) The notice of invitation contemplated in sub-section (1) must contain the following advertisement information-

- (a) subject to section 12.16(3), the closure date and time for the submission of bids, which may not be less than 30 (thirty) days in the case of transactions over R10 million (including VAT), or which are of a long term nature, 21 (twenty-one) days for construction works or 14 (fourteen) days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-section (3);
 - (b) A statement that bids may only be submitted on the bid documentation provided by the CoM;
 - (c) The title of the proposed contract and the bid or contract reference number;
 - (d) Such particulars of the proposed contract as the CoM deems fit;
 - (e) The date, time and location of any site inspection, if applicable;
 - (f) The place where the bid documentation is available for collection and the times between which bid documentation may be collected;
 - (g) The place where bids must be submitted;
 - (h) The required CIDB contractor grading for construction works, if applicable; and
 - (i) The validity period of the bid.
- (3) The municipal manager may determine a closure date for the submission of bids which is less than the 30 (thirty) or 14 (fourteen) days requirement provided in sub-section (2), but only if such shorter period can be justified on the grounds of an emergency as contemplated in section 12.22(1)(a)(i) read with section 12.22(3), (4), (5) and (6), urgency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (4) The bid notice may require payment of a non-refundable tender fee by bidders wanting to collect bid documents, which tender fee will be determined by the chief financial officer in terms of section 8 of this policy.

- (5) Bid documentation will be available for collection on the same day the tender is advertised and until the closing date and time of bids.
- (6) Bids submitted to the CoM must be sealed.
- (7) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

12.7.3 Issuing of Bid Documents

- (1) Bid documents and any subsequent notices may only be issued by officials designated by the Assistant director: supply chain management, from time to time.
- (2) Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.
- (3) Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

12.7.4 Site Inspections

- (1) In general and where applicable, site inspections will not be compulsory.
- (2) A site inspection may be made compulsory, manager of the SCMU, provided that the minimum bid periods referred to in this policy are extended by at least 7 (seven) days.
- (3) If site inspections are to be held, full details must be included in the bid notice, including whether or not the site inspection is compulsory.
- (4) Where site inspections are made compulsory, the date for the site inspection must be at least 14 (fourteen) days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.

- (5) If at a site meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with section 12.7.12 of this policy.

12.7.5 two-stage (Prequalification) Bidding Process

- (1) In a two-stage (prequalification) bidding process, bidders are, in the first-stage, invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.
- (2) In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
- (3) This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding 3 (three) years.
- (4) The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids provided in section 12.7.2.
- (5) Once bidders have pre-qualified for a particular project, they must be given no less than 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.
- (6) Procurement of strip and quote services must be obtained by utilising the two-stage bidding process provided in this section.

12.7.6 Two Envelope System

- (1) A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time.

- (2) The financial offers will only be opened once the technical proposals have been evaluated.

12.7.7 Validity Periods

- (1) The period for which bids are to remain valid and binding must be indicated in the bid documents. If no bidder has been appointed during the validity period, or the extended validity period as referred to below, the bid will lapse.
- (2) The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.
- (3) This period of validity may be extended by the chairperson of the bid evaluation committee, provided that:
 - (a) the original validity period of the bid has not expired;
 - (b) all the bidders who have submitted bids have been requested to consent to the extension of the validity period; council shall reserve the right to continue with the normal process
 - (c) if one or more bidders who have submitted bids have agreed in writing to the extension of the validity period of the bid; the municipality continue with the normal bidding process
 - (d) if no bidder responded in writing, the bid shall be cancelled and be re-advertised unless depending on compelling reasons and the approval of the Municipal Manager, the bid may be taken through the normal bid committee processes and
 - (e) The validity period of a bid may only be extended once.
- (4) Bidders who fail to respond to the request referred to in sub-section 3(b) above, or who decline such a request, shall be considered further in the bid evaluation process of the tender they submitted.
- (5) If bidders are requested to extend the validity period of their bids as referred to in sub-section 3 as a result of an objection or complaint being lodged:
 - (a) it must be made clear to bidders that this is the reason for the request for the extension of the validity period; and

- (b) The responsible official must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the objection or complaint period or until the objection or complaint is finalised.

12.7.8 Contract Price Adjustment

- (1) For all contract periods equal to or exceeding 1 (one) year, an appropriate contract price adjustment formula must be specified in the bid documents.
- (2) In general, if contract periods do not exceed 1 (one) year, the bid shall be a fixed price bid and not subject to contract price adjustment.
- (3) If, however, as a result of any extension of time granted, the duration of a fixed price contract exceeds 1 (one) year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such 1 (one) year.
- (4) An appropriate contract price adjustment formula must be specified in the bid documents.
- (5) Notwithstanding sub-section (2), if the bid validity period is extended, then contract price adjustment may be applied.
- (6) No contract must be extended by a period exceeding three months, if the need arises for such an extension, the request must be submitted two months before the contract expires shall go through the process in terms of para.12.11,12.12 and 12.13 of this policy

12.7.9 Provisional Sums and Prime Cost Items

- (1) If monetary allowances in excess of R200 000 for provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by subcontractors/suppliers, then a competitive bidding process, as determined by the manager of the SCMU from time to time, shall be followed in respect of these sums/items.

- (2) When monetary allowances of less than R200 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of 3 (three) written quotations for approval by the responsible agent.

12.7.10 Samples

- (1) Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) must be delivered separate from the bid to the addressee mentioned in the bid documents.
- (2) Bids may not be included in parcels containing samples.
- (3) If samples are not submitted as required in the bid documents or within any further time stipulated by the chairperson of the bid evaluation committee in writing, then the bid concerned may be declared non-responsive.
- (4) Samples must be supplied by a bidder at his/her own expense and risk.
- (5) The CoM will not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and reserves the right not to return such samples and to dispose of them at its own discretion.
- (6) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample.
- (7) All goods/materials supplied shall comply in all respects to that contract sample.

12.7.11 Closing of Bids

- (1) Bids shall close on the date and at the time stipulated in the bid notice.
- (2) The bid closing date of bids for goods and services must be at least 14(fourteen) days after publication of the notice.
- (3) For construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.
- (4) Notwithstanding the above, if the estimated contract value exceeds R10 million (VAT included), or if the contract is of a long term nature with adjuration

period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.

- (5) For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
- (6) For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.
- (7) The bid closing date may be extended prior to the original bid closing date by the manager of the SCMU, if circumstances justify such an extension, provided that the closing date may not be extended unless a notice is published in the press where the bid was originally advertised, which notice must also be posted on the official notice boards designated by the municipal manager.
- (8) The municipal manager may determine a closing date for the submission of bids which is less than any of the periods specified in this section, but only if such shorter period can be justified on the grounds of an emergency, urgency or any exceptional case where it is impractical or impossible to follow the official procurement process.

12.7.12 Communication with bidders before bid closing

- (1) The chairperson of the bid specification committee may, if necessary, communicate with prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so, prior to bids closing.
- (2) Such communication shall be in the form of a notice issued to all prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so by the manager of the SCMU by either e-mail, facsimile, or registered post, as may be appropriate.
- (3) A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes.

- (4) Notices should be issued at least 1 (one) week prior to the bid closing date, where possible.
- (5) Notwithstanding a request for acknowledgement of receipt of any notice issued, the prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so will be deemed to have received such notice if the procedures in sub-sections (2), (3) and (4) have been complied with.

12.7.13 Submission of Bids

- (1) Bids must be submitted before the closing date and time, at the address and in accordance with the directives in the bid documents.
- (2) Each bid must be in writing using non-erasable ink and must be submitted on the official form of bid/offer issued with the bid documents.
- (3) The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope.
- (4) The envelope may not contain documents relating to any bid other than that shown on the envelope.
- (5) Only sealed bids will be accepted.
- (6) The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
- (7) Postal bids will not be accepted for consideration.
- (8) No bids forwarded by telegram, facsimile or similar apparatus may be considered.
- (9) Photostat copies of bids or facsimiles which are submitted in the prescribed manner will, however, be considered, provided the original forms of bid/offer can be shown to have been posted or couriered prior to the close of bids.

- (10) Electronic bids will not be accepted.
- (11) The bidder shall choose a *domicilium citandi et executandi* within the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- (12) No person may amend or tamper with any bids or quotations after their submission.

12.7.14 Late Bids

- (1) A bid is late if it is not placed in the relevant bid box by the closing time for such bid.
- (2) A late bid will not be admitted for consideration and where feasible, but without any obligation to do so whatsoever, will be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

12.7.15 Opening of Bids

- (1) At the specified closing time on the closing date, the applicable bid box must be closed in public.
- (2) The bid box must be opened in public as soon as practical after the closing time.
- (3) Immediately after the opening of the bid box, all bids must be opened in public and at the same time and checked for compliance.
- (4) The official opening the bids must in all cases read out the name of the bidder and, where practical, the amount of the bid.
- (5) As soon as a bid or technical proposal has been opened the municipal manager must ensure that:
 - (a) All bids received in time must be recorded in the bid opening record;
 - (b) The bid/proposal must be stamped with the official stamps, and endorsed with the opening official's signature;

- (c) The name of the bidder, and where possible, the bid sum must be recorded in the bid opening record kept for that purpose;
 - (d) The responsible official who opened the bid shall forthwith place his/her signature on the bid opening record;
 - (e) The bid opening record must be made public for inspection; and
 - (f) The entries in the bid opening record and the bid results must be published on the website of the CoM.
- (6) Bids found to be inadvertently placed in the incorrect bid box will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open, in which case the CoM disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box.
- (7) A record of all bids placed in an incorrect box must be kept.
- (8) Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained.
- (a) A bid which was in the correct bid box it will be read out;
 - (b) A bid which is found to be in the incorrect bid box, it will be redirected provided that the applicable bids either closed on the same day at the same time, or are still open; and
 - (c) Where the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box.
- (9) The CoM, however, disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

12.7.16 Opening of Bids where a Two-Envelope System (consisting of a technical proposal and a financial proposal) is followed

- (1) Where a two-envelope system is followed, only the technical proposal will be opened at the bid opening.
- (2) The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.
- (3) When required the financial offers/bids corresponding to responsive technical proposals, must be opened by the opening official in accordance with section 12.7.15 (4) and (5).
- (4) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
- (5) Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the bid adjudication committee in this regard.
- (6) After being recorded in the bid opening record, the bids/technical proposals must be handed over to the official responsible for the supervision of the processing thereof and that official must acknowledge receipt thereof by signing the bid opening record.

12.7.17 Invalid Bids

- (1) Bids will be invalid and be endorsed and recorded as such in the bid opening record by the responsible official appointed by the manager of the SCMU to open the bid, in the following instances:
 - (a) Where the bid is not sealed;
 - (b) Where the bid, including the bid price/tendered amount, where applicable is not submitted on the official form of bid/offer;
 - (c) Where the bid is not completed in non-erasable ink;

- (d) Where the form of bid/offer has not been signed;
 - (e) Where the form of bid/offer is signed, but the name of the bidder is not stated, or is indecipherable; or
 - (f) Where in a two-envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
- (2) When bids are declared invalid at the bid opening, the bid sum of such bids may not be read aloud, however, the name of the bidder and the reason for the bid having been declared invalid must be announced.

12.7.18 Bid Sum

- (1) A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words must be read aloud at the bid opening and this will be the price upon which bid is evaluated.
- (2) All rates, with the exception of rates only bids, and proprietary information are confidential and may not be disclosed.

12.8 Committee System for Competitive Bids

- (1) The committee system of the CoM for competitive bids provides for-
 - (a) A bid specification committee;
 - (b) A bid evaluation committee; and
 - (c) A bid adjudication committee.
- (2) The municipal manager of the CoM-
 - (a) Must appoint the members of each committee and, in doing so, must take into account the provisions of section 117 of the MFMA;

- (b) May, when appropriate, appoint a neutral or independent observer in order to ensure fairness and transparency in the application of this acquisition management system; and
- (c) May apply the committee system to formal written price quotations.

12.9 Bid Specification

- (1) The bid specification committee or delegated official must compile the specifications for all procurements of goods and/or services by CoM.
- (2) The specifications-
 - (a) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods and/or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) Where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words 'equivalent';
 - (f) Must indicate each specific goal for which points may be awarded; and

- (g) the committee must make sure that the provincial VTSD plan is incorporated in the tender and that relevant goals give content to the plan –i.e. either as a tender requirement of points for functionality
- (h) Make sure that invited bidders from other province and municipalities including other countries offer not less than 30 percent of joint venture or sub-construction

Tenders to be evaluated on functionality

- (i) Must be approved by the municipal manager or delegated official prior to publication of the invitation for bids in terms of section 12.7.2.
- (7) The municipality must state in the tender documents if the tender will be evaluated on functionality.
- (7.1) The evaluation criteria for measuring functionality must be objective.
- (7.2) The tender documents must specify-
- (a) the evaluation criteria for measuring functionality;
 - (b) the points for each criteria and, if any, each sub-criterion; and
 - (c) the minimum qualifying score for functionality.
- (8) The minimum qualifying score for functionality for a tender to be considered further-
- (a) must be determined separately for each tender; and
 - (b) may not be so-
 - (i) low that it may jeopardise the quality of the required goods or services; or
 - (ii) high that it is unreasonably restrictive.
- (8.1) Points scored for functionality must be rounded off to the nearest two decimal places.
- (8.2) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- (8.3) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in the preferential procurement regulation
- (5) Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.
- (6) The specification must be approved by municipal manager or the delegated official prior to advertisement of the quotations or bid.

12.10 Bid Specification Committee

- (1) All bid specifications and bid documentation must be compiled by an ad-hoc bid specification committee constituted for each project or procurement activity.
- (2) The bid specification committee shall be comprised of at least 3 (three) officials of the CoM, an appointed chairperson, a responsible official and at least 1 (one) supply chain management practitioner of the CoM.
- (3) Where appropriate a representative of Internal Audit and/or Legal Services and/or an external specialist advisor may form part of this committee.
- (4) Green procurement must be incorporated as far as reasonable possible, for all specifications of goods and services.
- (5) In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.
- (6) The municipal manager, or his delegated authority, must, taking into account the provisions of section 117 of the MFMA, appoint the members of the bid specification committees.
- (7) No person, advisor or corporate entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.
- (8) Determine if the project must be done by a single service provider or supplier or multiple service provider and based on the circumstances and the interest of the community, size of the project also determine the number of the suppliers or service provider who may be recommended for the implementation of the service or project
- (9) Bid specification committee meetings must be conducted in accordance with the applicable Rules of Order regulating the conduct of meetings.

12.11 Bid evaluation

- (1) The CoM shall not be obliged to accept any bid.
- (2) The CoM shall have the right to accept the whole or part of a bid or any item or part of an item of a bid or to accept more than one bid for goods and services.
- (3) The bid evaluation committee must-
 - (a) Evaluate bids in accordance with-
 - (i) The specifications for a specific procurement; and
 - (ii) The points system as prescribed by the PPPFA, and pertaining to functionality (if applicable) in accordance with the PPR and National Treasury Circular 53;
 - (b) Evaluate each bidder's ability to execute the contract;
 - (c) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
 - (d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (4) The bid evaluation committee must as far as possible be composed of-
 - (a) Officials from departments requiring the goods and/or services; and
 - (b) At least one supply chain management practitioner of the CoM.
- (5) The responsible agent and the SCM compliance officer or delegated official (who is not a member of the Evaluation or Adjudication Committee) must carry out a preliminary evaluation of all valid bids received and submit a draft bid evaluation report to the bid evaluation committee for consideration.

(6) Any evaluation of a bid must consider the bids received and note for inclusion in the evaluation report, a bidder:

- (a) whose/which bid was endorsed as being invalid by the responsible official at the bid opening;
- (b) whose/which bid do not comply with the provisions for combating abuse of this policy;
- (c) whose/which bid do not comply with the general conditions applicable to bids and quotations of this policy;
- (d) whose/which bid do not comply with specifications;
- (e) whose/which bid does not meet the minimum points for functionality, if applicable;
- (f) whose/which bid is not in compliance with the terms and conditions of the bid documentation;
- (g) whose/which bid does not comply with any minimum points and goals stipulated in terms of the preferential procurement section of this policy and the PPPFA;
- (h) who/which is not registered and/or listed on the list of accredited providers of the CoM;
- (i) who/which, in the case of construction works acquisition, do not comply with the requirements of the CIDBA regarding registration of contractors;

(j) No contract may be awarded to a service provider who has failed to submit a proof of tax compliance status" i.e. CSD number or Tax compliance pin or Tax Clearance Certificate.

The CSD and tax compliance status PIN are the approved methods to be used to prove tax compliance,

- (k) who/which fails to comply with any applicable Bargaining Council agreements; and

- (l) who/which are in arrears with its municipal service charges accounts.
- (7) Bids shall be evaluated according to the following as applicable:
- (a) Bid price and specific goals as per the applicable provisions of the PPPFA (corrected, if applicable and brought to a comparative level where necessary);
 - (b) The unit rates and prices;
 - (c) The bidder's ability to execute the contract;
 - (d) Any qualifications to the bid;
 - (e) The bid ranking obtained in respect of preferential procurement as required by this policy;
 - (f) The financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable; and
 - (g) Any other criteria specified in the bid documents.
- (8) No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document.
- (9) The bid evaluation committee must check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- (9.1) No contract may be awarded to a service provider / bidder, or any of its directors who failed to submit a proof that municipal rates and taxes or municipal service from applicable municipality or to any other municipality or municipal entity are not in arrears for more than three months".
- (10) Additional information or clarification of bids may be called for if required but only in writing.
- (11) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.

- (12) Where a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the bid adjudication committee.
- (13) The bidder obtaining the highest number of points should be recommended for acceptance unless there are objective criteria in addition to the criteria mentioned in section 2(1)(d) and section 2(1)(e) of the PPPFA justifying the award of the bid to another bidder.
- (14) Where, after bids have been brought to a comparative level, 2 (two) or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
- (15) Where 2 (two) or more bids are equal in all respects, the bid evaluation committee will draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
- (16) All disclosures of a conflict of interest must be considered by the bid evaluation committee and shall be reported to the bid adjudication committee.
- (17) The bid evaluation committee must, having considered the responsible agent's draft report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the bid adjudication committee for award.

12.12 Bid Evaluation Committee

- (1) An ad-hoc bid evaluation committee must be constituted for each project or procurement activity to evaluate bids received.
- (2) The bid evaluation committee shall be comprised of at least 3 (three) officials of the CoM, an appointed chairperson, who may be the same person as the chairperson of the bid specification committee, a responsible official and atleast one supply chain management practitioner of the CoM.

- (3) Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary.
- (4) External specialists/experts may advise the bid evaluation committee, as required.
- (5) The municipal manager, or his delegated authority, must, taking into account the provisions of section 117 of the MFMA, appoint the members of the bid evaluation committees.
- (6) Bid evaluation committee meetings must be conducted in accordance with the applicable Rules of Order regulating the conduct of meetings.

12.13 Bid adjudication

- (1) The bid adjudication committee must-
 - (a) Consider the report and recommendations of the bid evaluation committee; and
 - (b) Either-
 - (i) Depending on its delegations, make a final award or a recommendation to the municipal manager to make the final award; or
 - (ii) Make another recommendation to the municipal manager on how to proceed with the relevant procurement.
- (2) The bid adjudication committee may make an award to a preferred bidder, subject to the municipal manager negotiating with the preferred bidder.
- (3) The municipal manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation-

- (a) Does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder;
 - (c) Does not lead to a higher price than the bid as submitted;
 - (d) Minutes of such negotiations must be kept for record purposes; and overall;
 - (e) Does not materially affect the bid in a manner which compromises the integrity of the bidding process.
- (4) If a bid other than the one recommended in the normal course of implementing this policy is approved, then the municipal manager must, within 10 (ten) working days and in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
- (5) The municipal manager may, at any stage of a bidding process, refer any recommendation made by the bid evaluation committee or bid adjudication committee back to that committee for reconsideration of the recommendation
- (6) A person aggrieved by a decision or action taken in the execution of this policy may lodge within 14 (fourteen) days of such a decision or action a written objection or complaint to the CoM against the decision or action as set out in section 20.3 of this policy.
- (7) Bid documents must state that any objection or complaint in terms of sub-section (6) above must be submitted to the municipal manager at the address stated, and must contain the following:
- (a) Reasons and/or grounds for the objection or complaint;
 - (b) The way in which the objector or complainant's rights have been affected; and
 - (c) The remedy sought by the objector or complainant.

- (8) No bid may be formally accepted until either the expiry of the 14 (fourteen) day objection or complaint period, confirmation in writing before the expiry of the 14 (fourteen)day objection or complaint period that none of the affected parties intend to object or complain or confirmation of the satisfactory resolution of any objection or complaint.
- (9) If the bid adjudication committee or other delegated official has resolved that bid be accepted, the successful and unsuccessful bidders must be notified in writing of this decision.
- (10) The successful bidder must, in addition, be advised of the 14 (fourteen) day objection or complaint period, and be notified that no rights accrue to him/her until the bid is formally accepted in writing.
- (11) Every notification of decision must be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification which must be kept for record purposes.
- (12) Where it becomes necessary to cancel or re-advertise formal bids, a report to this effect must be submitted to the bid adjudication committee for decision.
- (13) Where bids have been cancelled, all bidders must be notified of such cancellation in writing.
- (14) It is not necessary to notify original bidders when new bids are invited and advertised.
- (15) No bid may be re-advertised before the expiry of the validity period of the original bid or any extended validity period.
- (16) Notwithstanding sub-section (14) and where no valid bids are received or all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may forthwith be re-advertised.

- (17) In the case of bids for construction works, and where the bid adjudication committee resolved that there were no responsive bids received, then the bid may forthwith be re-advertised.
- (18) Any increase in the contract period, in respect of term bids, or contract sum, in respect of one-off contracts, that may become necessary as a result of exceptional circumstances or increase in the scope of work, or which are considered to be in the public's interest, may be effected subject to the provisions of section 116 of the MFMA. Such amendments must be effected prior to the contract period expiring or contract sum being exceeded.
- (19) Where community participation has been a part of the contract, the community must be advised of the proposed increase and be invited to provide written comment thereon.
- (20) Any unapproved increases in the contract sum or scope of work or contract period which have become necessary as a result of exceptional circumstances, or which have been considered to be in the public's interest, must be explained in a report to the bid adjudication committee requesting condonation and approval for such unapproved increase.
- (21) Any adjustment as indicated on paragraph 18 and 20 of 12.13 above shall be submitted for approval 60 days before the order is printed or in case of projects before any payment certificate is compile and shall go through the Bid Evaluation and the Adjudication process. it is the responsibility of the department to make sure that the adjustments or increase as indicated on paragraph 18 and 19 of 12,13
- (22) the decrease or the increase project funds or adjustment of project name must be approved by council and such changes must be effected on the Budget, the SDBIP, IDP of the municipality
 - (a) The department must write an item to council to request the approval to effect the change

(b) if approval has been obtained, the department shall write a report to all bid committee of the municipality to consider and minute the changes.

(c) the committee shall recommend the changes to the municipal manager or delegated official.

12.14 Bid Adjudication Committee

(1) The bid adjudication committee must consist of at least four senior managers of the CoM which must include-

(a) The chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer;

(b) At least one senior supply chain management practitioner who is an official of the CoM; and

(c) a technical expert in the relevant field who is an official of the CoM, if the CoM has such an expert.

(2) The municipal manager must appoint the chairperson of the committee. When the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(3) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

(4) Where the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid-

- (a) Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;
 - (b) Notify the municipal manager, who may-
 - (i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee; and
 - (ii) If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for re-consideration.
- (5) The municipal manager may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for re-consideration of the recommendation.
- (6) The municipal manager must comply with the procedure set out in terms of the provisions of section 114 of the MFMA and within 10 (ten) working days.

12.15 Term Bids

- (1) Term bids are for the supply of goods and/or services that is of an ad-hoc or repetitive nature for a predetermined period of time.
- (2) The CoM may invite term bids.
- (3) The general acquisition procedure for term bids must comply with procedures contained in the acquisition management system for competitive bids.
- (4) Where applicable bid documentation must state that the acceptance of term bids based on a schedule of rates will not necessarily guarantee the bidder any business with the CoM.
- (5) The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.
- (6) Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.

- (7) Additional items included in a term bid by any bidder which are clearly not an alternative to any of the items specified will not be considered.
- (8) The process for considering term bids must be in terms of the evaluation and adjudication procedures for conventional competitive bids.
- (9) Subsequent to an award where different selections of items are required in terms of the same term bid, and where it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors, then and in that instance, a selection process must be carried out in respect of each application by the responsible agent. Individual orders must be placed on the basis of the highest total evaluation points received, per application.
- (10) Where the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing, the bidder with the next highest valuation points must be selected.
- (11) Where, after a contract has been awarded, or an order is placed in terms of a term bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract will apply.

12.16 Procurement of banking services

- (1) A contract for the provision of banking services to the CoM-
 - (a) Must be procured through competitive bids;
 - (b) Must be consistent with the provisions of section 7 of the MFMA; and
 - (c) May not be for a period of more than 3 (three) years at a time.
- (2) The process for procuring a contract for banking services must commence at least 9(nine) months before the end of an existing contract.

- (3) The closure date for the submission of bids may not be less than 60 (sixty) days from the date on which the advertisement is advertised.
- (4) Bids must be restricted to banks registered in terms of the Banks Act, Act 94 of 1990.

12.17 Procurement of IT related goods and/or services

- (1) The municipal manager may request the State Information Technology Agency (SITA) to assist the CoM with the acquisition of IT related goods and/or services through a competitive bidding process.
- (2) The parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to SITA.
- (3) The municipal manager must notify SITA together with a motivation of the IT needs of the CoM where-
 - (a) The transaction value of IT related goods and/or services required by the CoM in any financial year will exceed R50 million (including VAT);
or
 - (b) The transaction value of a contract to be procured by the CoM whether for one or more years exceeds R50 million (including VAT).
- (4) If SITA comments on the submission and the CoM disagrees with such comments, the comments and the reasons for rejecting or not following such comments of SITA must be submitted to the council, the Provincial and National Treasury and the Auditor General prior to awarding the bid.

12.18 Procurement of Goods and Services under Contracts Secured by Other Organs of State

- (1) The municipal manager may procure goods and/or services for the CoM under a contract secured by another organ of state, but only if-
 - (a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

- (b) TheCoM has no reason to believe that such contract was not validly procured;
- (c) There are demonstrable discounts or benefits for the CoM to do so;
and
- (d) That other organ of state and the relevant provider have consented to such procurement in writing.
- (e) The need for procuring goods or service through a contract secured by other state shall be recorded on the demand management plan and on the minutes of the specification
- (f) When considering any contract secured by other organ of state, reports and supporting documents shall go through the committee system of the municipality
- (g) Such service shall be sourced from an existing contract, with the same specification, terms and condition, in case of a long term or short term contract, the contract shall lapse the same period as indicated on the contract of the principal organ of state or the organ of state which appointed the service provider or supplier.

12.19 Procurement of Goods Necessitating Special Safety Arrangements

- (1) Goods, other than water, petrol and/or chlorine, which necessitate special safety arrangements, may not be acquired or stored in bulk and in excess of immediate requirement, including gasses, unless sound justification therefore exists.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the CoM and the municipal manager may then authorize the same.

12.20 Proudly SA Campaign

The CoM supports the Proudly SA Campaign and may identify, as a specific goal the promotion of South African owned enterprises in its procurement processes.

12.21 Appointment of consultants

- (1) The municipal manager may procure consulting services provided that Treasury and CIDB guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) A contract for the provision of consultancy services to the CoM must be procured through competitive bids where-
 - (a) The value of the contract exceeds R200 000 (including VAT); or
 - (b) The duration period of the contract exceeds 1 (one) year.
- (3) In addition to the requirements prescribed for competitive bids in this policy, bidders must furnish the CoM with particulars of-
 - (a) All consultancy services provided to an organ of state in the last 5 (five) years; and
 - (b) Any similar consultancy services provided to an organ of state in the last 5 (five) years.

- (4) Dividing the transaction values of required consultant appointments into lesser transaction values in order to circumvent the competitive bidding process is not permitted.
- (5) Where the estimated value of consultant fees is less than or equal to R200000 (including VAT) and the duration of the appointment is less than 1 (one) year, the selection of a consultant to provide the required service must follow a written price quotation or a formal written price quotation procedure as provided for in this policy.
- (6) Responsible agents must endeavour to ensure that there is rotation in respect of inviting suitably qualified consultants to submit quotes.
- (7) A price/preference points system, contained in the preferential procurement section of this policy, must be applied to such quotations.
- (8) Where it is in the interests of the CoM to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed.
- (9) The CoM must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the CoM.
- (10) The CoM may only consider single-source selection where it is in line with the exceptional cases provided in National Treasury guidelines the justification for single-source selections examined in the context of the overall interests of the CoM and the project.
- (11) Single-source selection may be appropriate only if it presents a clear advantage over competition:
 - (a) For services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;

- (b) Where rapid selection is essential;
 - (c) For very small appointments;
 - (d) When only one consultant is qualified, or has experience of exceptional worth for the project.
- (12) The reasons for single-source selection must be fully motivated in a report and approved by the bid adjudication committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000 (including VAT) or less, such award must be approved by the manager of the SCMU.

12.22 Deviation from, and Ratification of Minor Breaches of Procurement Processes

- (1) The municipal manager may-
 - (a) Dispense with the official procurement processes established by this policy and to procure any required goods and/or services through any convenient process, which may include direct negotiations, but only-
 - (i) For contracts relating to an emergency where it would not be in the interests of the CoM;
 - (ii) If such goods and/or services are produced or available from a single provider only;
 - (iii) Acquisition of animals for zoos and nature reserves;
 - (iv) The acquisition of special works of art or historical objects where specifications are difficult to compile; and
 - (v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes, including, but not limited to-
 - (aa) any purchase on behalf of the CoM at a public auction sale;
 - (bb) any contract in respect of which compliance therewith would not be in the public interest; and
 - (cc) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids;
 - (b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

- (2) The municipal manager must record the reasons for any deviations in terms of sub-section (1) (a) and (b) and report them to the next meeting of the council and must be included as a note to the annual financial statements. This sub-section does not apply to the procurement of goods and services contemplated in section 3(3) of this policy.
- (3) The conditions relating to the procurement of contracts relating to an emergency, as referred to in sub-section (1) (a) (i) above should include the existence of one or more of the following:
 - (a) The possibility of human injury or death;
 - (b) The prevalence of human suffering or deprivation of rights;
 - (c) The possibility of damage to property, or suffering and death of livestock and animals;
 - (d) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the CoM as a whole;
 - (e) The possibility of serious damage occurring to the natural environment;
 - (f) The possibility that failure to take necessary action may result in the CoM not being able to render an essential community service; and
 - (g) The possibility that the security of the state could be compromised.
- (4) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process and may never be for an emergency which has been created by and due to the negligence of any official or employee of the CoM.
- (5) Emergency dispensation will not be granted in respect of circumstances other than those contemplated in sub-section (3) above.

- (6) Where possible, in an emergency situation, 3 (three) quotes in accordance with general acquisition management principles should be obtained and a report submitted to the municipal manager for approval. Where, however, time is of the essence, the emergency must be immediately addressed, and the process formalised in a report to the municipal manager as soon as possible thereafter.
- (7) The municipal manager may, upon recommendation of the bid adjudication committee, and only if good cause exists condone any expenditure incurred in contravention of, or that is not in accordance with, a requirement of this policy, provided that-
- (a) This power may not be sub-delegated by the municipal manager;
 - (b) Such condonation will not preclude the taking of disciplinary steps against the responsible official; and
 - (c) The municipal manager records the reasons for the condonation in writing, and reports them to the next meeting of the council and must be included as a note to the annual financial statements.
- (8) In the event where the municipal manager refuses to condone any expenditure referred to in sub-section (11), such expenditure will be deemed to be irregular expenditure as defined in terms of the provisions of section 1 of the MFMA, and must be treated as such by the municipal manager according to the relevant provisions provided therefore in the MFMA.
- (9) Any deviation below R100 000 (vat inclusive) shall be processed through the delegations of power, the department and Supply Chain shall ensure that the deviation comply with the regulation and that valid reason are indicated on the item before been submitted to the Municipal Manager or his/her delegate and all deviation above R100 000 (vat inclusive) shall go through the committee system of Council.

12.23 Unsolicited bids

- (1) The CoM is not obliged to consider any unsolicited bids received outside a normal bidding process.
- (2) The CoM may only consider an unsolicited bid if-
 - (a) The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) The product or service will be exceptionally beneficial to, or have exceptional cost advantages for the CoM;
 - (c) The person or entity who made the bid is the sole provider of the product or service; and
 - (d) The reasons for not going through the normal bidding processes are found to be sound by the municipal manager;
- (3) Where the municipal manager decides to consider an unsolicited bid that complies with sub-section (2), the CoM must make its decision public in accordance with the provisions of section 21A of the MSA, together with-
 - (a) Its reasons as to why the bid should not be open to other competitors;
 - (b) An explanation of the potential benefits for the CoM were it to accept the unsolicited bid; and
 - (c) An invitation to the public or other potential suppliers to submit their written comments within 30 (thirty) days of the notice.
- (4) Once the CoM has received written comments pursuant to sub-section (3), it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The CoM's adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the municipal manager, depending on its delegations.

- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public and notice of such meetings must be made public in terms of the provisions of section 21 of the MSA.
- (7) When considering the matter, the adjudication committee must take into account-
 - (a) Any comments submitted by the public; and
 - (b) Any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) Where any recommendations of the National Treasury or provincial treasury are rejected or not followed, the municipal manager must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within 7 (seven) days after the decision on the award of the unsolicited bid is taken, but no contract committing the CoM to the bid may be entered into or signed within 30 (thirty) days of the submission.
- (10) An unsolicited bid shall go through the committee system of council.

13 LOGISTICS MANAGEMENT

Logistics management provides an effective logistic management system for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration, as set out below:

13.1 Setting of Inventory Levels

- (1) Stock items must be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.
- (2) Open reservations must be taken into account during the replenishment run.

13.2 Placing of Orders

- (1) Purchase orders must be created with reference to requisitions where the supply source is by means of contract or verbal, written or formal quotations.
- (2) All purchase orders which are for imported goods and which are subject to rate and exchange adjustments must specify that the vendor must take out forward exchange contract in order to fix the Rand based price in the purchase order.
- (3) A proper record of all purchase orders must be kept by the manager of the SCMU and a copy thereof must be submitted to the chief financial officer on a monthly basis.
- (4) Standing orders will be utilized in cases where a longer term arrangement, such as after hour services and copier contracts, are required.
- (5) Purchase order approvals must be system based and will involve the procurement department only.
- (6) The assets section (for asset creation) and the insurance section (for claims) must be informed after approval of any purchase orders.

13.3 Receiving and Distribution of Goods

- (1) Goods will be received on the applicable computerized system utilised by the CoMwith reference to purchase orders.
- (2) No over-receipt of stock may be allowed. The purchase order must be kept open founder-receipts for the outstanding delivery quantity.
- (3) Goods must be issued from stock with reference to reservations.

- (4) Goods may be issued for consumption against internal orders, cost centres, projects and assets under construction.

13.4 Stores and Warehouse Management

- (1) The stores and warehousing function must be decentralised in different areas and will operate under the jurisdiction of the SCMU.
- (2) The SCMU must ensure proper financial and budgetary control, uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

13.5 Expediting Orders

- (1) The purchasing expeditor is required to monitor and expedite outstanding purchase orders.
- (2) Reminder letters must be faxed automatically to vendors based on the reminder levels prior to the delivery due date which is set in the purchase order.

13.6 Transport Management

The CoM's Fleet Management Policy must be adhered to at all times.

13.7 Vendor Performance

- (1) The applicable computerized system of the CoM must enable system-based evaluation based on the vendors' performance with regard to certain pre-determined criteria.
- (2) The information will be available for contract negotiations and regular feedback to the vendors.

13.8 Contract Management

- (1) The municipal manager must take all reasonable steps to ensure that contract management procured through this policy is properly implemented and enforced.
- (2) The contract management provisions in this policy are applicable to contracts for the provision of goods and/or services.
- (3) All contracts must be administered by an official(s) having the necessary competency in order to ensure effective management of the contract concerned. The responsibility of managing a contract falls on the specific directorate to which such a contract relates together with and in co-operation with the SCMU.

13.9 Maintenance and Contract Administration

- (1) Contracts relating to the procurement of goods and services will be captured on the CoM's computerized system in the form of a price schedule.
- (2) Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts must be utilized.
- (3) The use of fixed price and fixed term contracts must be promoted and expenditure will be driven towards such contracts as opposed to once-off purchases.
- (4) Consolidated procurement volumes must be utilized to drive down negotiated contract prices.
- (5) Contract price adjustments may only be processed in accordance with contract terms and conditions.
- (6) Price adjustments must be made on the procurement contract and any current purchase orders must be changed to reflect the new price.

13.10 Contract Administration

- (1) Contract administration is the last stage of the tendering and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.
- (2) The effectiveness of contract administration depend on how thoroughly the earlier steps were completed as changes can be made far more readily early in the tendering cycle than after contract management has commenced.
- (3) Some of the key early stages, which influence the effectiveness of contract administration and which the CoM must properly implement, include:
 - (a) Defining the outputs by writing specifications which identify what the aims and outputs of a contract will be;
 - (b) Assessing risk;
 - (c) researching the market place, including conducting pre-tender briefings;
 - (d) Formulating appropriate terms and conditions of contract;
 - (e) Identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
 - (f) Actively creating competition, so the best possible suppliers bid for contracts; and
 - (g) Evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

13.11 Levels of Contract Administration

- (1) There are three levels of contract administration, being:
 - (a) The first operational level is for standard contracts for goods and services. Day to day contract administration should become no more than a monitoring, record keeping and price adjustment authorisation role.
 - (b) The second or intermediate level is for more complex contracts for services. This type of contract requires a more active role for the contract manager in developing the relationship between the CoM and the contractors.
 - (c) The third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts require more active management of the business relationships between the supplier and the users, for example to manage outputs and not the process.

13.12 Appointing a Contract Manager

- (1) A contract manager must be appointed by the municipal manager together with the director in charge of the project prior to the execution of the contract.
- (2) Where it is practical to do so, the contract manager must be involved at the earliest stage of the acquisition, which is the time of writing the specifications for the contract.
- (3) Contract administration arrangements must be identified and planned including, delegations, reporting requirements and relationships and specific task responsibilities.
- (4) Departments are responsible for ensuring that contract managers:
 - (a) Prepare the contract administration plan;
 - (b) Monitor the performance of the contract;

- (c) Are appointed with appropriate responsibility and accountability;
- (d) Are adequately trained so that they can perform and exercise the responsibility; and
- (e) Act with due care and diligence and observe all accounting and legal requirements.

13.13 Duties and Powers of Contract Manager

- (1) The contract manager's duties and powers are governed by the conditions of contract and the law.
- (2) The contract manager must monitor the performance of the contract on a monthly basis and must report to the municipal manager on the performance of the contractor and the progress of the contract on a monthly basis.
- (3) The contract manager is also required to form opinions and make decisions, and in doing so is expected to be even-handed, prudent and to protect the interests of the CoM.
- (4) The SCMU is responsible for notifying the contract manager 60 (sixty) days prior to the expiry of each contract in order to allow the contract manager sufficient time in order to decide whether to renew a contract or efficiently conclude a contract.
- (5) The contract manager must ensure that the contractor duly performs according to the specifications of the contract in delivering goods and/or services on time, in the correct manner and/or quantity and to the required standard.
- (6) Regular meetings and site inspections must be held by the contract manager and the contractor to inspect the progress, deliverables, foreseeable problems and/or possible amendments during the contract period.

13.14 Contract Guidelines

- (1) A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, must be documented.
- (2) The provisions of this section is not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks or may not be necessary in some circumstances.

13.15 Delegating to Contract Administrator

- (1) Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.
- (2) The contract administrator will be required to perform duties related to processes for record keeping, authorising payment and collecting data on contractor performance.
- (3) The contract manager will however remain ultimately responsible and accountable for the performance of the contract.

13.16 Contract Management Process

- (1) The contract manager must ensure the contractor fulfils its obligations and accepts its liabilities under the contract and must also ensure the contractors are treated fairly and honestly.
- (2) Both parties adhering to the agreed terms will result in:
 - (a) Value for money;
 - (b) Timeliness;
 - (c) Cost effectiveness; and
 - (d) Proper contract performance.

13.17 Document Retention

- (1) The need exists to retain documents on a contract file for information and audit purposes, and in order to comply with the requirements of the records office.
- (2) Proper records regarding all aspects of the contract must accordingly be maintained.

13.18 Guidelines on Contract Administration

- (1) The responsibilities of a contract manager may include the following:
 - (a) Establishing a contract management plan for the project;
 - (b) Reviewing the contract management process (including the plan) on regular basis;
 - (c) Providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise;
 - (d) Monitoring the contractor's continuing performance against contract obligations;
 - (e) Providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;
 - (f) Determining if staged products should continue, and providing procurement process for additional stages which meet the principle of obtaining value for money;
 - (g) Providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;

- (h) Ensuring that insurance policy terms and conditions provide adequate protection for the CoM and are maintained throughout the contract period;
- (i) Ensuring all products provided are certified as meeting the specifications before the supplier is paid;
- (j) Maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- (k) Managing contract change procedures;
- (l) Resolving disputes as they arise;
- (m) Conducting post contract reviews; and
- (n) Pursuing remedies in the event of contract breach.

13.18.1. Cession Agreement for SMME's

- (1) A cession is a contract in terms of which one party, cedent agrees to transfer his / her rights and obligation.
- (2) At any given time the contractor or the service provider may enter into the agreement with the third party and cede his / her payments right to the third party.
- (3) Such agreement shall only be considered, if there is a valid cession agreement entered into between the cedent, cessionary and the Municipality.
- (4) The Chief Financial Officer shall only be the authorized representatives of the Municipality.
- (5) The municipality shall not take any responsibility for any cession agreement signed by any unauthorized official(s)
- (6) A cession shall be offered twice to a SMME supplier or service provider per financial year
- (7) The contractor / service provider appointed by the municipality shall remain responsible to deliver goods, works or services as per the contract without compromising quality or quantities.
- (8) The cession shall not exceed 15 percent of the original contract and it shall be subject to the availability of funds

- (9) Cession agreement must be signed per SMME and per individual owner of the company and shall be subjected to residential verification before can be signed

14 DISPOSAL MANAGEMENT

- (1) The disposal management system of the CoM provides an effective system for the transfer of ownership, disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to the provisions of section 14 of the MFMA and the MATR in as far as capital assets are concerned.
- (2) The disposal management system of the CoM is subject to and must comply with the relevant and applicable provisions of the MFMA and MATR in as far as capital assets are concerned.
- (3) The manners in which assets may be disposed of by the CoM include, but is not limited to, the following-
- (a) Transferring an asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;
 - (b) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (c) Selling the asset; or
 - (d) Destroying the asset.
- (4) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.
- (5) Movable assets may be sold either by way of written price quotations, a competitive bidding process, and auction or at market related prices, whichever is the most advantageous to the CoM.
- (6) In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 (thirty) days whether any of the local schools are interested in the equipment.

- (7) In the case of the disposal of firearms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person or institution within or outside the Republic.
- (8) Immovable property must be let at market related rates except when the public interest or the plight of the poor demands otherwise.
- (9) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be annually reviewed.
- (10) Where assets are traded in for other assets, the highest possible trade-in price must be negotiated.
- (11) As far as possible, assets to be disposed of must be subjected to recycling. Disposal to landfill is not allowed unless there are no available recycling options.
- (12) Non-exempted capital assets must be transferred or permanently disposed of strictly in accordance with the provisions of section 14 of the MFMA read with Chapter 2 of the MATR.
- (13) Exempted capital assets must be transferred strictly in accordance with Chapter 3 of the MATR.
- (14) The granting of rights by the CoM to use, control or manage municipal capital assets, where section 14 of the MFMA do not apply, must be executed strictly in accordance with Chapter 4 of the MATR.

15 RISK MANAGEMENT

- (1) The risk management system of the CoM provides for an effective system to identify, consider and avoid potential risks in the supply chain management system.
- (2) The risks pertaining to supply chain management must at all times comply with the criteria laid down in the risk management policy of the CoM.

- (3) Managing risk must be part of the philosophy, practices and business plans of the CoM and should not be viewed or practiced as a separate activity in isolation from line managers.
- (4) Risk management includes, but is not limited to-
 - (a) Early and systematically identification of risks on a case-by-case basis, analysis and assessment of risk, including conflicts of interest and the development of plans for handling the same;
 - (b) The allocation and acceptance of the responsibility of risk to the party best suited and placed to manage such risk;
 - (c) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) The management of risk in a pro-active manner and the provision of adequate cover for residual risk;
 - (e) The assignment of relative risk to the contracting parties through clear and unambiguous contract documentation; and
 - (f) Ensuring that the costs incurred in managing risk are commensurate with the importance of the purchase and the risk to the operations of the CoM.
- (5) The risk management process must be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.
- (6) Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.
- (7) Appropriate risk management conditions must therefore be incorporated in contracts.

- (8) internal Audit may be called during the opening and closing of the bids and can also conduct pre and post audit subject to internal audit submitting a request to the municipal manager to conduct the pre and post audit.

16 PERFORMANCE MANAGEMENT

- (1) The performance management system of the CoM provides for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being, or were followed, and whether the desired objectives of this policy are being, or were achieved.
- (2) The municipal manager must establish and implement the system contemplated in sub-section (1) above.
- (3) Performance management must contain a monitoring process together with retrospective analysis to determine whether-
 - (a) Value for money has been attained;
 - (b) Proper processes have been followed;
 - (c) Desired objectives have been achieved;
 - (d) There is an opportunity to improve the process;
 - (e) Suppliers have been assessed and the results of the assessment; and
 - (f) There has been deviation from procedures and, if so, what the reasons for such deviation are.
- (4) The performance management system must accordingly focus on, amongst others, the-
 - (a) Achievement of goals;
 - (b) Compliance to norms and standards;
 - (c) Savings generated;
 - (d) Cost variances per item;
 - (e) Non-compliance with contractual conditions and requirements; and

- (f) Cost efficiency of the procurement process itself.

CHAPTER 3: OTHER MATTERS

17 PROHIBITION ON AWARDS TO PERSONS WHOSE/WHICH TAX MATTERS ARE NOT IN ORDER

- (1) The CoM may not under any circumstances, irrespective of the procurement process followed, make an award to any person or entity whose/which tax matters have not been declared to be in order by SARS.
- (2) Before making an award to a person or entity, the CoM must first check with SARS whether that person's or entities' tax matters are in order.
- (3) If SARS does not respond within 7 (seven) days such person's or entities' tax matters may for purposes of sub-section (1) be presumed to be in order.

18 PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

The CoM may not under any circumstances, irrespective of the procurement process followed, make an award to a person or entity-

- (a) Who is in the service of the state;
- (b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) Who is an advisor or consultant contracted with CoM.

19 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

The municipal manager must ensure that the notes to the annual financial statements of the CoM disclose the 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 who has been in the service of the state in the previous 12 (twelve) months, including-

- (a) The name of that person;
- (b) The capacity in which that person is or was in the service of the state; and
- (c) The amount of the award.

20 CODE OF ETHICAL STANDARDS

- (1) In addition to this code of ethical standards, the codes of conduct for municipal councillors and staff members as set out in Schedule 1 and Schedule 2 of the MSA shall apply in the implementation of this policy.
- (2) The code of ethical standards for officials and all other role-players in the supply chain management system which is established hereby seeks to promote –
 - (a) Mutual trust and respect; and
 - (b) An environment where business can be conducted with integrity and in a fair and reasonable manner.
- (3) An official and/or other role-player involved in the implementation of this policy-
 - (a) Must treat all providers and potential providers equitably;
 - (b) May not use his or her position for private gain or to improperly benefit another person;

- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person;
 - (d) notwithstanding sub-paragraph(c) above, must declare to the municipal manager details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) must declare to the municipal manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the CoM;
 - (f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) Must be scrupulous in his or her use of property belonging to the CoM;
 - (h) Must assist the municipal manager in combating fraud, corruption, favouritism, unfair and irregular practices in the supply chain management system; and
 - (i) Must report to the municipal manager any alleged irregular conduct in the supply chain management system which that person may become aware of, including-
 - (i) Any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) Any alleged contravention of section 20.1; or
 - (iii) Any alleged breach of the code of ethical standards.
- (4) All declarations in terms of sub-section (3) (d) and (e) must be recorded by the municipal manager in a register which the municipal manager must keep for this purpose.

- (5) All declarations by the municipal manager must be made to the executive mayor of the CoM, who must ensure that such declarations are recorded in the register.
- (6) The municipal manager is responsible to ensure that appropriate steps are taken against any official or other role-player who commits a breach of any provision of this code of ethical standards, and council must ensure that the same measures are enforced where a breach has been committed by the municipal manager.
 - (a) A breach of the code of ethical standards and any adopted code/s of conduct must be dealt with in accordance with Schedule 1 or Schedule 2 of the MSA, depending upon the circumstances.
- (7) The municipal manager must, in his/her implementation of this policy, take into account the National Treasury's code of conduct for supply chain management practitioners and other role-players involved in supply chain management.
- (8) The CoM has adopted the National Treasury's code of conduct for supply chain management practitioners and other role-players involved in supply chain management.
 - (a) This code of conduct is binding on all officials and other role-players involved in the implementation of this policy; and
 - (b) A copy of the National Treasury's code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".
- (9) Sub-section (3) (c) does not apply to gifts less than R350 in value.

20.1 Inducements, Rewards, Gifts and Favours to the CoM, its Officials and/or Other Role-players

- (1) No person who is a provider or prospective provider of goods and/or services to the CoM, or a recipient or prospective recipient of goods disposed or to be disposed of by the CoM, may either directly or through a representative or intermediary promise, offer or grant-
 - (a) Any inducement or reward to the CoM for or in connection with the award of a contract; or
 - (b) Any reward, gift, favour or hospitality to any official of the CoM or any other role-player involved in the implementation of this policy of the CoM.
- (2) The municipal manager of the CoM must promptly report any alleged contravention of sub-section (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) Sub-section (1) does not apply to gifts less than R350 in value.

20.2 Sponsorships

The municipal manager of the CoM must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted to the CoM or any of its officials, whether directly or through a representative or intermediary, by any person who is-

- (a) A provider or prospective provider of goods and/or services to the CoM; or

- (b) A recipient or prospective recipient of goods disposed or to be disposed of by the CoM.

20.3 Objections and complaints

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

20.4 Resolution of Disputes, Objections, Complaints and Queries

- (1) The municipal manager must appoint an independent and impartial person not directly involved in the supply chain management processes of the CoM-
 - (a) To assist in the resolution of disputes between the CoM and other persons regarding-
 - (i) Any decisions or actions taken by the CoM in the implementation of its supply chain management system; or
 - (ii) Any matter arising from a contract awarded in the course of its 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 municipal manager, or another official designated by the municipal manager, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed by the municipal manager in terms of sub-section (1) must-
 - (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.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if-
 - (a) The dispute, objection, complaint or query is not resolved within 60 (sixty) days; or
 - (b) No response is received from the CoM within 60 (sixty) 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.

20.5 Contracts Providing for Compensation Based on Turnover

Where a service provider acts on behalf of the CoM 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 CoM must stipulate-

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

CHAPTER 4: COMBATING ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

21 COMBATING OF ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The terms of reference of this section of this policy ensure compliance with Regulation 38 of the SCMR.
- (2) The municipal manager shall take all reasonable steps to prevent abuse of the supply chain management system and to investigate any allegations of improper conduct against the concerned official, councillor, or other role player and when justified may:-
 - (a) Take, or ensure that appropriate steps are taken, against such official, councillor or other role player; and/or
 - (b) Inform the Speaker of any allegations against any councillor involved in contraventions of the supply chain management system; and/or
 - (c) Report any alleged criminal conduct to the South African Police Service and/or other recognised authority.
- (3) The steps referred to in sub-section (2) which the municipal manager may take include registering the affected person in the CoM's Register of Tender and Contract Defaulters as well as:
 - (a) Rejection or withdrawal of recommendations, or invalidation of decisions that were unlawfully or improperly made or influenced, including recommendations or decisions that were made or in any way influenced by:
 - (i) Councillors in contravention of item 5, 6 or 9 of the Code of Conduct for Councillors set out in Schedule 1 of the MSA; or

- (ii) Municipal staff members in contravention of item 4, 5 or 8 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 of the MSA;
 - (iii) The unlawful or improper conduct of a bidder or its representatives in competing for the particular contract;
- (b) Rejection of the bid of an affected person if that person or any of its representatives:
 - (i) Has failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges are in arrears for a period longer than 3 (three) months, as at the date of the submission of the bid;
 - (ii) Has abused the supply chain management system or has committed any improper conduct in relation to the supply chain management system;
 - (iii) Has been convicted of fraud or corruption during the 5 (five) year period immediately preceding the invitation of bid in question;
 - (iv) Is listed:
 - (aa) in the Register for Tender and or Contract Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004;
 - (bb) on the National Treasury's database as a person prohibited from doing business with the public sector or;
 - (cc) on the CoM's Register of Tender and or Contract Defaulters.

- (v) who/which, during the last 5 (five) year period immediately preceding the invitation of the bid in question, failed to perform satisfactorily on previous or current contract with the CoM or other organ of state after written notice was given to the affected person that such person's performance was unsatisfactory; and/or
 - (vi) Wilfully neglected and/or breached any government, municipal or other public sector contract during the 5 (five) year period immediately preceding the invitation of the bid in question.
- (c) Cancellation of a contract awarded to a person if that person:-
- (i) committed a fraudulent act during the procurement process or the execution of the contract;
 - (ii) Incite any corrupt or fraudulent act, by an official, councillor or other role-player during the procurement process or in the execution of that contract and the person who committed the corrupt or fraudulent act benefited there from.

21.1 CoM's Register of Tender and Contract Defaulters

- (1) The municipal manager shall, subject to the procedures prescribed in this policy, be entitled to list a person or any of its representatives, where applicable, on the CoM's Register of Tender and Contract Defaulters for a period not exceeding 5 (five) years in any of the circumstances listed in terms of this policy.
- (2) In the circumstances referred to in section 21(3) (c) (i) and (ii) above, the person convicted of the relevant offence shall automatically be listed on the CoM's Register of Tender Contract Defaulters.

- (3) In circumstances where a preference in terms of the PPPFA has been obtained on a fraudulent basis or any specific goals are not attained in the performance of the contract, the affected person may be listed on the CoM's Register of Tender and Contract Defaulters for a period not exceeding 10 (ten) years.
- (4) Any listing in terms of section 21(3) shall, at the discretion of the municipal manager, also be applicable to any other enterprise or any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first mentioned person, and with which enterprise or person the first-mentioned person, is, or was, in the opinion of the municipal manager, actively associated.
- (5) A person who has been listed on the CoM's Register of Tender and Contract Defaulters shall not be entitled to be awarded any contract by the CoM for the duration of the period reflected on such register.
- (6) The municipal manager may, on good cause shown, remove a person from the CoM's Register of Tender Contract Defaulters or reduce the period for which a person is prohibited from being awarded any contract by the CoM.

21.2 Automatic Rejection of Bid

The municipal manager may, after written verification with a person, automatically reject the bid of such a person if the person:

- (a) Has been convicted of fraud or corruption during the past 5 (five) year period immediately preceding the invitation of the bid in question; and/or
- (b) Is listed on the:
 - (i) Register for Tender Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004;

- (ii) National Treasury's database as a person prohibited from doing business with the public sector; and/or
- (iii) CoM's Register of Tender and Contract Defaulters.

21.3 Adequate Notice of Manner of Abuse of Supply Chain Management System

- (1) Once the CoM has obtained *prima facie* evidence which it deems to be sufficient to initiate proceedings to take steps against the affected person as contemplated in section 21(2) and (3) of this policy, the CoM must give the affected person adequate written notice of the manner in which it is alleged that the affected person abused the supply chain management system
- (2) In order to constitute adequate notice of the manner in which it is alleged that the affected person abused the supply chain management system the notice must:-
 - (a) Outline the grounds on which it is alleged that the affected person abused the supply chain management system, with sufficient particulars to enable the affected person to respond to the allegations stipulated in the notice;
 - (b) Refer to the applicable provisions of this policy in terms of which steps may be taken in the event where it is proved that the affected person abused the supply chain management system;
 - (c) Stipulate that the affected person must make written representations in response to such allegations of abuse of the supply chain management system within 14(fourteen) calendar days of the date when the notice was served by a duly authorized person, acting on behalf of the CoM, on the affected person;
 - (d) state that written submissions received after the due date for such submissions shall be disregarded, unless good cause is shown by

way of a request for condonation for the late lodgement of the submissions and only when the condonation would not lead to unnecessary delays or otherwise prejudice the public interest;

- (e) State the name, official title, postal address, street address, telephone number and fax number of the official of the CoM to whom written submissions or any correspondence in terms of this policy must be sent.

21.4 Right of Access to Information

- (1) When furnishing the affected person with the notice referred to in section 21.3 above, the CoM shall furnish the affected person with access to all documents upon which the CoM relies in respect of the allegations against the affected person.
- (2) The affected person shall be furnished by the CoM with any such additional information as the affected person is entitled to in terms of PAIA.
- (3) Where further information is requested, the CoM may, in its sole discretion and up on a written request to do so, appropriately extend the time period contemplated in section 21.3(2)(c) so that the affected person is granted adequate time to consider any information provided pursuant to such request prior to the due date for such submissions.

21.5 Administration of Hearings

- (1) The municipal manager shall appoint an independent and impartial person, who may be an official of the CoM, to preside and adjudicate on allegations of abuse of the supply chain management system against an affected person.
- (2) The Presiding Officer will adjudicate on the matter based on the written notice and written response and will inform all relevant parties accordingly should the matter, or part thereof be referred for an oral hearing.

21.6 Right to be heard

- (1) An affected person shall, in accordance with and subject to, the procedures in terms of this policy, be granted the right to be heard upon receiving notice as contemplated in terms of section 21.3 and prior to the municipal manager taking any of the steps listed in section 21(2) and (3) of this policy.

21.7 Oral Hearings

- (1) An affected person does not have an automatic right to an oral hearing but may submit an application to the presiding officer to have the matter set down for an oral hearing in instances where the presiding officer decided to entertain the matter without oral evidence being heard, or not to refer the matter for an oral hearing.
- (2) The presiding officer may grant such an opportunity in its discretion where the affected person has provided sufficient grounds to the presiding officer to refer the matter for an oral hearing
- (3) The presiding officer shall take any relevant factor into account when deciding whether or not to grant an application referred to in sub-section (2) by an affected person.
- (4) The presiding officer must ensure that notice of an oral hearing shall be served by a duly authorised person on all relevant parties within 7 (seven) days of receipt of their presentations referred to in section 21.3(2)(c), and must-
 - (a) set the date of the oral hearing;
 - (b) Inform the affected person of their right to legal representation; and
 - (c) Include any other information which the presiding officer may deem relevant or necessary to be included in the notice.
- (5) The CoM must be appropriately represented at these hearings by a natural person to lead the evidence against the affected person.

21.8 Procedure at Oral Hearing

- (1) The procedure to be followed at an oral hearing shall be determined by the presiding officer.
- (2) Witnesses must testify under oath.
- (3) Affected person(s) or their representatives shall have the right to present their case and to cross-examine any witnesses who testify at the hearing.
- (4) Witnesses called by the affected person(s) shall be subjected to cross examination by any party who may have an interest at the hearing.

21.9 Onus of Proof

The onus is on the CoM to prove any allegations of abuse of the supply chain management system which proof shall be on a balance of probabilities.

21.10 Right to Legal Representation

An affected person shall have a right to legal representation.

21.11 Right to Request Reasons

An affected person shall be informed of the right to request written reasons in terms of the provisions of section 5 of PAIA in respect of any decision taken by the CoM in terms of this policy.

21.12 Criminal Proceedings

- (1) The municipal manager may institute criminal proceedings where there is *prima facie* proof of abuse of the supply chain management system that constitute a criminal offence of corruption or fraud.

21.13 Informing Provincial and National Treasury

The municipal manager must inform the Provincial and National Treasury of any actions taken in terms of this section.

CHAPTER 5: PREFERENTIAL PROCUREMENT

22 PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILIZED

- (1) The CoM must, prior to making an invitation for bidders-
 - (a) Properly plan for, and, as far as possible, accurately estimate the costs of the provision of goods and/or services for which an invitation for bids is to be made;
 - (b) Determine and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of the bids; and
 - (c) Determine whether the goods and/or services for which an invitation for bids is to be made has been designated for local production and content in terms of section 28.

- (2) The evaluation criteria for measuring functionality must be objective.
- (3) When evaluating bids on functionality, the-
 - (a) Evaluation criteria for measuring functionality;
 - (b) Weight of each criterion;
 - (c) Applicable values; and
 - (d) Minimum qualifying score for functionality,Must be clearly specified in the invitation to submit a bid.
- (4) No bid must be regarded as an acceptable bid if such bid fails to achieve the minimum qualifying score for functionality as indicated in the bid invitation.
- (5) Bids which have achieved the minimum qualification score for functionality must be evaluated further in terms of the preference point system prescribed in sections below.
- (6) Within the ambit of the Preferential Procurement Regulations, 2001, bids/ proposals which may be evaluated on the basis of functionality and price as well as the achievement of specified pre-qualification criteria. The evaluation should be carried out in two phases – first the functionality and then the price.
- (7) The ratio or the evaluation criteria as well as the specification or the term of reference for the goods or service should be determined and approved by the accounting officer and should be made known up-front in the bid documents.
- (8) Score sheets should be prepared and provided to panel members to evaluate the bids on functionality, the experienced panel members with relevant knowledge to the goods or service must be appointed by the municipal manager or delegated official in writing

- (9) In view of impartiality, members of bid committees should not also act as panel members.
- (10) The score sheet should contain all the criteria and the weight for each criterion as indicated in the TOR or specification or tender as well as the values to be applied for evaluation.
- (11) Each panel member should after thorough evaluation award his/her own value to every criterion without discussing any aspect of any bid with any of the other members.
- (12) Under no circumstances may additional evaluation criteria be added to those originally indicated in the bid documentation nor may the evaluation criteria be amended or omitted after closing of the bid. Score sheets should be signed by panel members and if required, written motivation could be requested from panel members in the event of vast discrepancies in the values awarded for each criterion.
- (13) The evaluation of bids for functionality must be done by a panel on the same day and time and no panel member shall be allowed to change the score unless with the recommendation of the bid committees of the municipality

23.1 Calculation of Percentage for Functionality

The percentage scored for functionality should be calculated as follows:

- (1) Each panel member should award values for each individual criterion on a score sheet.
- (2) The value scored for each criterion should be multiplied with the specified weighting for the relevant criterion to obtain the marks scored for the various criteria.
- (3) These marks should be added to obtain the total score.
- (4) The following formula should then be used to convert the total score to a percentage for functionality:

So

$Ps = \frac{Ms}{Ap} \times 100$

□

where

Ps = percentage scored for functionality by bid/proposal under consideration

So = total score of bid/proposal under consideration

Ms = maximum possible score

Ap = percentage allocated for functionality

- (5) The percentages of each panel member should be added together and divided by the number of panel members to establish. The average percentage obtained by each individual bidder for functionality. After calculation of the percentage for functionality, the prices of all bids that obtained the minimum score for functionality should be taken into consideration. Bids/proposals that do not score a certain specified minimum percentage for functionality should be disqualified and not be considered further

24 THE 80/20 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES UP TO A RAND VALUE OF R1 MILLION

- (1) (a) The following formula must be utilized to calculate the points for price in respect of bids (including price quotations) with a rand value equal to, or above R30000 and up to a rand value of R50 million (all applicable taxes included):

$$Ps = 80 \left(1 - \frac{Pt - P_{min}}{P_{min}} \right)$$

Where:

Ps = Points scored for comparative price of bid or offer under consideration;

Pt = Comparative price of bid or offer under consideration; and

Pmin = Comparative price of lowest acceptable bid of offer.

- (b) The CoM may apply the formula in sub-section (1) for price quotations with a value less than R30 000, where and when appropriate.

- (2) Subject to sub-section (3), points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the following table:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- (3) A maximum of 20 (twenty) points may be allocated in accordance with sub-section (2).
- (4) The points scored by a bidder in respect of B-BBEE contribution contemplated in sub-section (2) must be added to the points scored for price as calculated in accordance with sub-section (1).
- (5) Subject to section 26, the prospective contract must be awarded to the bidder who scores the highest total number of points.

THE 90/10 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES WITH A RAND VALUE ABOVE R1 MILLION

- (1) The following formula must be utilized to calculate the points for price in respect of bids with a rand value above R50 million (all applicable taxes included):

$$Ps = 90 \left(1 - \frac{Pt - P \text{ min}}{P \text{ min}} \right)$$

Where:

Ps = Points scored for comparative price of bid or offer under consideration;

Pt = Comparative price of bid or offer under consideration; and

Pmin = Comparative price of lowest acceptable bid of offer.

- (2) Subject to sub-section (3), points must be awarded to a bidder for attaining their B-BBEE status level of contributor in accordance with the following table:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

- (3) A maximum of 10 (ten) points may be allocated in accordance with sub-section (2).

- (4) The points scored by a bidder in respect of the level of B-BBEE contribution contemplated in sub-section (2) must be added to the points scored for price as calculated in accordance with sub-section (1).
- (5) Subject to section 26, the prospective contract must be awarded to the bidder who scores the highest total number of points.

26 AWARD OF CONTRACTS TO BIDDERS NOT SCORING THE HIGHEST NUMBER OF POINTS

A contract may be awarded to a bidder who/which did not score the highest total number of points, but only in accordance with the provisions of section 2(1)(f) of the PPPFA.

27 CANCELLATION AND RE-INVITATION OF BIDS

- (1)
 - (a) When, in the application of the 80/20 preference point system as stipulated in the bid documents, **all** bids received exceed the estimated rand value of R1 million, the bid invitation must be cancelled.
 - (b) Where 1 (one) or more of the acceptable bids received are within the prescribed threshold of R1 million, all bids received must be evaluated on the 80/20 preference point system.
- (2)
 - (a) When, in the application of the 90/10 preference point system as stipulated in the bid documents, **all** bids received are equal to, or below R1 million, the bid must be cancelled.
 - (b) Where 1 (one) or more of the acceptable bids received are above the prescribed threshold of R1 million, all bids received must be evaluated on the 90/10 preference point system.
- (3) Where the CoM cancels a bid invitation as contemplated in sub-sections (1) and (2), the CoM must re-invite bidders and must stipulate in the bid documents the correct preference point system to be applied.

- (4) The CoM may, prior to the award of a bid, cancel such a bid when-
 - (a) Due to changed circumstances, there is no longer a need for the requested goods and/or services;
 - (b) Funds are no longer available to cover the total envisaged expenditure of the bid; or
 - (c) No acceptable bids are received.
- (5) The decision to cancel a bid in terms of sub-section (4) must be published in the Government Tender Bulletin or the media in which the original bid invitation was advertised.

28 LOCAL PRODUCTION AND CONTENT

- (1) The CoM must, in the case of designated sectors, where local production and content is of critical importance in the award of bids, advertise such bids with a specific bid condition that only locally produced goods and/or services or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- (2) The instructions, circulars and guidelines issued by the National Treasury with specific reporting mechanisms to ensure compliance with sub-section (1), must be taken into account by the CoM when applying this section.
- (3) Where there is no designated sector, the CoM may include, as a specific bid condition, that only locally produced goods and/or services or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered, provided that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department Trade and Industry.
- (4) Every bid issued in terms of this section must be measurable and audited.
- (5) Where necessary, for bids referred to in sub-sections (1) and (3), a two-stage bidding process may be followed, where the first stage involves functionality and minimum threshold for local production and content and the second stage

price and B-BBEE with the possibility of price negotiations only with the short-listed bidder(s).

29 B-BBEE STATUS LEVEL CERTIFICATE

- (1) Bidders with an annual total revenue of R5 million or less qualifies as exempted micro enterprises in terms of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003, and must submit a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, Act 69 of 1984) or an accredited verification agency.
- (2) Bidders other than exempted micro enterprises must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, substantiating their B-BBEE rating.
- (3) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.
- (4) The B-BBEE status level attained by the bidder must be utilized to determine the number of points allocated in terms of sections 24(2) and 25(2).

30 CONDITIONS

- (1) Only bidders who/which have completed and signed the declaration part of the bid documentation may be considered for such bid.
- (2) The CoM must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.
- (3) A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is affected.

- (4) Points scored must be rounded off to the nearest 2 (two) decimal places.
- (5) In the event that 2 (two) or more bids have scored equal total points, the successful bid must be the one scoring the highest number of preference points for B-BBEE.
 - (a) When, however, functionality is part of the evaluation process and 2 (two) or more bids have scored equal points including equal preference points for B-BBEE, the successful bidder must be the one scoring the highest score for functionality.
 - (b) Where 2 (two) or more bids are equal in all respects, the award will be decided by the drawing of lots.
- (6) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as a legal entity, provided that such entity submits its B-BBEE status level certificate.
- (7) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as an unincorporated entity, provided such entity submit its consolidated B-BBEE scorecard as if the entity is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid.
- (8) A person may not be awarded any points for B-BBEE status level where the bid documents indicate that such a bidder who/which intends to sub-contract more than 25% of the value of the contract to any other enterprise that does not qualify for at least the same amount of points of the bidder, unless the intended sub-contractor is an exempted micro enterprise which has the capacity and ability to execute the sub-contract.
- (9) A person to whom/which a contract has been awarded may not sub-contract more than 25% of the value of the contract to any other enterprise which does not have an equal to or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an exempted micro enterprise which has the capacity and ability to execute the sub-contract.

- (10) A person to whom/which a contract has been awarded in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced below the stipulated minimum threshold.
- (11) When the CoM is in need of services which is provided by tertiary institutions only, such services must be procured through a bidding process from the tertiary institutions identified.
- (12) The tertiary institutions referred to in sub-section (11) must be required to submit its B-BBEE status in terms of the specialized scorecard contained in the B-BBEE codes of good practice.
- (13) Where the CoM require services which can only be provided by 1 (one) or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a contractor must be done by means of a bidding process.
- (14) Public entities must be required to submit its B-BBEE status in terms of the specialized scorecard contained in the B-BBEE codes of good practice.
- 15 A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
 - (1) The points scored by a tenderer for B-BBEE contribution in terms of subparagraph (29 and 30) must be added to the points scored for price under sub paragraph 24 above.
 - (2) The points scored must be rounded off to the nearest two decimal places.
 - (3) Subject to sub regulation (9) and regulation 11 of the Supply chain management Regulation, the contract must be awarded to the tenderer scoring the highest points.
 - (4)(a) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.
 - (b) The municipality may-
 - (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

- (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
- (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- (c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

(16) Criteria for breaking deadlock in scoring

- (1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for B-BBEE.
- (2) If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be awarded to the tenderer that scored the highest points for functionality.
- (3) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

(17) Award of contracts to tenderers not scoring highest points

- (1) A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.
- (2) If an organ of state intends to apply objective criteria in terms of section 2(1)(f) of the Act, the organ of state must stipulate the objective criteria in the tender documents

18 SUBCONTRACTING AS A CONDITION OF TENDER

- 18.1 If feasible to subcontract for contract above 30 million, the Municipality must apply subcontracting to advance designated groups.
- 18.2 If the Municipality applies subcontracting as contemplated in paragraph 24.1, the Municipality must advertise the tender with the specific tendering condition that the successful tenderer must subcontract a minimum of 30% the value of the Contract to:
 - 18.2.1 an EME or QSE
 - 18.2.2 an EME or QSE which is at least 51% owned by Black people
 - 18.2.3 an EME or QSE which is at least 51% owned by black people who are youth.
 - 18.2.4 an EME or QSE which is at least 51% owned by black people who are women.

- 18.2.5 an EME or QSE which is at least 51% owned by black people disabilities.
- 18.2.6 an EME or SQE which is 51% owned by black people living in rural or underdeveloped areas or township.
- 18.2.7 an EME or SQE which is 51% owned by which is at least owned by black people who are military veterans or
- 18.2.8 a cooperative which is at least 51% owned by black people.
- 18.2.9 More than one of the above mentioned categories may be selected.
- 18.10 The Municipality must make available the list of all suppliers registered on the database approved by the National Treasury to provide the required goods or services in the respect of the applicable designated groups mentioned in paragraph 24.2 from which tenderer must select a supplier.

19 SUBCONTRACTING AFTER AWARD OF TENDER

- 19. A person awarded a contract may only enter into a subcontracting agreement with the approval of the Municipality.
- 19.2 A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below stipulated minimum threshold.
- 19.3 A person awarded a contract may not subcontract more that 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor that the person concerned, unless the contract is subcontracted to an EME that has the capacity and ability to execute the subcontract.

20 Local Beneficiation

- 20.1 At any given time the Municipality may decide to introduce local beneficiation programme to any project depending on the nature of the project.
- 20.2 The Municipality desirous to create jobs and business opportunities for all citizens and businesses residing in the City of Matlosana Local Municipality area.
- 20.3 This proposal highlights certain areas of local beneficiation in the implementation of capital projects on behalf of City of Matlosana Local Municipality.

20.4 This will cover all construction aspects relating to the processes by which the construction industry develops emerging and established small contractors, professionals and supplier.

20.5 It also deals with labour enhanced construction by encouraging the engagement and training of labour recruited from local communities.

21 Participation

A major objective of the City of Matlosana Local Municipality is to extend economic opportunities and entrepreneurial capacity to all localities within its Municipal boundaries by the optimum utilisation of the resources existing in the vicinity of projects, the development of these resources in the execution of the project, and by maximising the amount of project funds retained within the project locality or within the VTSD

22 Contract Participation Targets

Contract participation is the process by which the City of Matlosana Municipality Implements Government's objectives.

23. The Municipality shall set targets for construction by specified entities.

23.1 The rand value for which is based on the services and work undertaken by the specified entities and measured as a percentage of the total certified Contract value or fee value of work completed (excluding VAT) measured at the date of issue of the Taking-over Certificate.

23.2 The Contractor or Principal Consultant shall be obliged to commit to or exceed the targets stated in the Appendix to Tender.

23.3 As far as it is practical, the Contractor shall consider utilising targeted enterprises and targeted suppliers from communities immediately adjacent to the contract before considering from wider areas.

23.3.4 As far as it is practical, the Principal Consultant shall consider utilising local Targeted Professional, unless the Principal Consultant is Local.

24 The following shall be targeted goals:

24.1 Labour

Labour is the Contractor's and Subcontractor's personnel whose monthly earnings are derived from hours worked for a fixed hourly rate which is adjusted from time to time by legislation (as a statutory minimum) and the Contractor's and Subcontractor's employment policies.

24.2 Local

Local in this context refers to the municipal boundaries of the City of Matlosana Local Municipality. Proof of local residence shall be a utility account that is older than 6 months from the commencement date of the project.

24.3 Target Area

Target Area is a defined area from which the Municipality or Principal Consultant is expected to recruit Targeted Professionals or the Contractor is expected to recruit Targeted Labour and Targeted Suppliers.

24.4 Targeted Enterprise

Is any company engaged by the Contractor as a Subcontractor and which is registered with the Construction Industry Development Board (CIDB) and which also qualifies as Potentially Emerging (PE) for Construction works.

24.5 Targeted Professionals

A targeted Professionals any company engaged by the Employer or the Principal Consultant as a Sub-Consultant and which is from the target group and which is Local.

24.6 Targeted Supplier

A Targeted Supplier is any company engaged by the Contractor as a Supplier / Manufacturer from Targeted Groups and which is registered with the City of Matlosana on its database.

24.7 Target Groups

A Target Group is a specific section of the population who are South African citizens and who are distinguished by gender, age or disability.

24.8 Targeted Labour

Targeted Labour is Labour recruited from the Target Area, who permanently reside in the Target Area or who are recognized as being residents of the Target Area on the basis of identification and association with and recognition by the residents of the Target Area.

25 Allocation of work to the appointment of service provider/contractors on the panel

- 25.1 Upon the appointment, all service providers / contractors shall be placed on the panel and work will be allocated to them on rotational basis through panel system.
- 25.2 The Department shall submit a request to supply chain management unit requesting the service provider / contractor to be allocated work for specific area of execution.
- 25.3 The Assistant Director responsible for supply chain management shall consider the request and make recommendations for the allocation of work to the service providers or contractors and submit to the Chief Financial Officer for approval.
- 25.4 The Chief Financial Officer shall approve or reject the recommendation from the Assistant Director: Supply Chain management.
- 25.5 The Assistant Director: Supply Chain Management shall on monthly basis provide the Chief Financial Officer with the report on the rotation of the service providers / contractors.

26 PRE-QUALIFICATION FOR PREFERENTIAL PROCUREMENT

The Municipality may decide to apply pre-qualifying criteria to advance certain designated groups, that municipality must advertise the tender with a specific tendering conditions that only one or more of the following tenderers may respond:

- (1) a tenderer having stipulated minimum B-BEE status level of contributor.
- (2) an EME or QSE.
- (3) a Tenderer subcontracting a minimum of 30% to:
- (4) an EME or QSE which is at least 51% owned by Black people
- (5) an EME or QSE which is at least 51% owned by black people who are youth.
- (6) an EME or QSE which is at least 51% owned by black people who are women.
- (7) an EME or QSE which is at least 51% owned by black people disabilities.
- (8) an EME or SQE which is 51% owned by black people living in rural or underdeveloped areas or township.
- (9) an EME or SQE which is 51% owned by which is at least owned by black people who are military veterans.
- (10) a cooperative which is at least 51% owned by black people.
- (11) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

31 DECLARATIONS

- (1) A bid must, in the manner stipulated in the bid document, compel a bidder to declare that-
 - (a) The information provided is true and correct;
 - (b) The signatory to the bid is duly authorized; and
 - (c) Documentary proof regarding any bid issue must, when required, be submitted to the satisfaction of the CoM.

32 REMEDIES

- (1) The CoM must act against a bidder or a person to whom/which a contract has been awarded, upon detecting that-
 - (a) The B-BBEE status level of contribution has been claimed or obtained on a fraudulent basis; or
 - (b) Any of the conditions of the contract have not been fulfilled.
- (2) The CoM may, in addition to any other remedy it may have against a bidder or person contemplated in sub-section (1)-
 - (a) Disqualify the bidder or person from the bidding process;
 - (b) Recover all costs, losses or damages which it has suffered as a result of such bidder or person's conduct;
 - (c) Cancel and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;

- (d) restrict the bidder or contractor, its shareholders and/or directors who acted on a fraudulent basis, from obtaining business from any organ of state for a period which does not exceed 10 (ten) years, after the *audi alteram partem* (hear the other side) rule has been applied; and
- (e) Forward the matter for criminal prosecution.

14.(1) Upon detecting that a tenderer submitted false information regarding its BBBEE status level of contributor, local production and content, or any other matter required in terms of these Regulations which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the municipality must-

- (a) inform the tenderer accordingly;
- (b) give the tenderer an opportunity to make representations within 14 days as to why-
 - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part;
 - (ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and
 - (iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
- (c) if it concludes, after considering the representations referred to in subregulation (1)(b), that-
 - (i) such false information was submitted by the tenderer-
 - (aa) disqualify the tenderer or terminate the contract in whole or in part; and
 - (bb) if applicable, claim damages from the tenderer; or
 - (ii) the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10 percent of the value of the contract.

(2)(a) An organ of state must-

- (i) inform the National Treasury, in writing, of any actions taken ;
- (ii) provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and
- (iii) submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.

(b) The National Treasury may request an organ of state to submit further information pertaining to sub regulation (1) of the preferential procurement Regulation within a specified period.

(3) The National Treasury must-

- (a) after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and
- (b) maintain and publish on its official website a list of restricted suppliers.

SCHEDULE "A"

PROCEDURE FOR PETTY CASH PURCHASES OF THE COM

- (1) Every official or employee of the CoM who wishes to make a purchase from petty cash must do so by-
 - (a) way of an application to his/her applicable Director;
 - (b) describing the items to be purchased in writing together with a motivation in respect of the requirement of the purchase and the costs thereof; and
 - (c) each and every application in writing must be approved by the applicable and responsible Director of the CoM who administers the Directorate in terms of which the application for the petty cash purchase is made.

- (2) Petty cash purchases may only be made with the written approval of the applicable and responsible Director as contemplated in sub-section (1) above and any official or employee of the CoM who makes any petty cash purchases made other than as provided for in this Schedule, will be personally liable for the costs of such purchase.

SCHEDULE "B"

PROCUREMENT MECHANISM	TOTAL TRANSACTION VALUE	Number of quotation	process
Petty Cash Purchases	R0, 01 to R 2000 (VAT inclusive)	1	Practice Note
Written Quotations obtained from the LAPS	R2 001 to R30 000 (VAT inclusive).	3	Practice Note
Formal Written Quotations through a seven-day advertisement process	R30 001 to R200 000 (VAT inclusive)	N/A	Advert 7 days
Competitive Process	Above R200 000 (VAT inclusive)	N/A	Advert 14 or more days
Negotiations, sole supplier and unsolicited bids by the Accounting Officer / delegates	Any Value	N/A	Negotiated period

SCHEDULE "C"

DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

The procurement of goods and services, either by way of quotation or through a competitive bidding process, will be within the following threshold values (all amounts include VAT):

- (a) For amounts to a maximum of R2 000.00 : petty cash purchases
- (b) For amounts above R2 001.00 to a maximum of R30 000 : 3 x Written Quotations
- (c) For amounts above R30 001 to a maximum of R200 000 : formal written quotations (7 DAYS ADVERT)
- (d) For amounts above R200 000 : competitive bidding process

The following approval shall apply in respect of procurement of goods, works and services (quotations / bids) in accordance with the prescribed process (all amounts include VAT): the officials on the undermentioned level shall have the power to approve the requisitions

- a. (a) For amounts from R1 to R2000.00 : LEVEL 4 Officials
- b. For amounts from R2000.00 to R30 000 : Level 2 and 3 Officials
- c. For the amount from R30 001 to R200 000 : Level 1 /directors
- d. The Bid Adjudication Committee may award a tender from R200 000 to R1.5 Million
- e. for all amounts above R1.5 Million shall be approved by Municipal Manager after receiving report from Bid Adjudication Committee and also has the power to sign any requisition of any amount

The powers to sign a contract and the resulting requisition and other required documents after the prescribed approval for the procurement or disposal has been given to the Municipal Manager.

CITY OF MATLOSANA



SUPPLY CHAIN MANAGEMENT POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT: 2019/20

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 City of Matlosana 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.

CITY OF MATLOSANA MUNICIPALITY'S SCM POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

Contents

1 Scope

2 Terms, definitions and abbreviations

2.1 Terms and definitions

2.2 Abbreviations

3 General requirements

3.1 Delegations

3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.3 Supervision of the infrastructure delivery management unit

3.4 Objections and complaints

3.5 Resolution of disputes, objections, complaints and queries

4 Control framework for infrastructure delivery management

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

4.2 Additional gates

4.3 Additional requirements

4.4 Gateway reviews

4.4.1 Gateway reviews for major capital projects above a threshold

4.4.2 Elective gateway reviews

5 Control framework for infrastructure procurement

6 Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement

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

6.1.3 Conduct of those engaged in infrastructure delivery

6.1.4 Measures to prevent abuse of the infrastructure delivery system

6.1.5 Awards to persons in the service of the state

6.1.6 Collusive tendering

6.1.7 Placing of contractors under restrictions

6.1.8 Complaints

6.2 Acquisition management

6.2.1 Unsolicited proposal

6.2.2 Tax and rates compliance

6.2.3 Declarations of interest

6.2.4 Invitations to submit expressions of interest or tender offers

6.2.5 Publication of submissions received and the award of contracts

6.2.6 Disposal committee

6.3 Reporting of infrastructure delivery management information

7 Infrastructure procurement

7.1 Usage of procurement procedures

7.2 Procurement documents

7.3 Developmental procurement policy

7.4 Payment of contractors

7.5 Approval to utilise specific procurement procedures

7.6 Receipt and safeguarding of submissions

7.7 Opening of submissions

7.8 Use of another organ of state's framework agreement

7.9 Insurances

7.9.1 Contractors shall be required to take out all insurances required in terms of the contract

7.10 Written reasons for actions taken

7.11 Request for access to information

1 Scope

This policy establishes the City of Matlosana 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 City of Matlosana 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
- e) Public Private Partnerships.

2 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 City of Matlosana Municipality that acts on the 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 2 October 2015

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 of which is not a Sunday, Saturday or public holiday

2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

3 General requirements

3.1 Delegations

3.1.1 The Council of City of Matlosana Municipality hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

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 1 This clause is required to ensure that the standard is linked to the policy and aligned with the MFMA SCM Regulations. 3 October 2015

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 Municipal Manager of City of Matlosana Municipality.

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 City of Matlosana Municipality, to the council of the City of Matlosana Municipality
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the Council, who must then submit the report to the Municipal Manager of City of Matlosana 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; 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.

3.3 Supervision of the infrastructure delivery management unit

The Infrastructure Delivery Management Unit shall be directly supervised by the Chief Financial Officer / delegated person in terms of section 82 of the MFMA.

3.4 Objections and complaints

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

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 municipality's 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 Manager SCM 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 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.

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

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

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

4.2 Gateway reviews

4.2.1 Gateway reviews for major capital projects above a threshold

4.2.1.1 All major capital projects having an estimated capital expenditure equal to or above R50 million (VAT inclusive) shall have a gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable. The focus of such a review shall in the first instance be on the quality of the documentation and thereafter on:

- a) Deliverability
- b) Affordability
- c) Value for money

4.2.1.1 The Municipal Manager shall appoint a gateway review team to undertake gateway reviews for major capital projects.

4.2.1.2 The gateway review team shall comprise not less than three persons who are not involved in the project associated with the works covered by the end of stage 4 deliverable and who are familiar with various aspects of the subject of the deliverable at the end of the stage under review. Such a team shall be led by a person who has at least six years post-graduate experience in the planning of infrastructure projects and is registered either as a professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in

terms of the Architectural Profession Act. The members of the team shall, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar project

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	Director: Infrastructure accepts the initiation report
1	Infrastructure planning	Council approves the infrastructure plan
2	Strategic resourcing	Director: Infrastructure approves the delivery and / or procurement strategy
3	Pre-feasibility	Director: Infrastructure accepts the pre-feasibility report
	Preparation and briefing	Director: Infrastructure accepts the strategic brief
4	Feasibility	Director: Infrastructure accepts the feasibility report
	Concept and viability	Director: Infrastructure accepts the concept report
5	Design development	Director: Infrastructure accepts the design development report
6	Design documentation	6A Production information Director: Infrastructure accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
		6B Manufacture, fabrication and construction information The contract manager accepts the manufacture, fabrication and construction information
7	Works	The contract manager certifies completion of the works or the delivery of goods and associated services
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 the provisions of the contract Director Infrastructure accepts the close out report

5 Control framework for infrastructure procurement

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:

a) The Municipal Manager 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.

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.

6 Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement

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.

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 councillor 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 City of Matlosana 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	Key Action	Person assigned responsibility to perform key action	
1*	Establish what is to be procured 1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	Director: Infrastructure
2*	Decide on procurement strategy 2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	Director: Infrastructure
3	Solicit tender offers 3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Chairperson Bid Specification Committee
	3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	Chief Financial Officer
4	Evaluate tenders offers 4.2 PG5	Obtain authorisation to proceed with next phase of tender	Review evaluation report, ratify recommendations and authorise	Chairperson Bid Evaluation Committee

			process in the qualified, proposal or competitive negotiations procedure	progression to the next stage of the tender process	
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	Bid Adjudication Committee
5	Award contract	5.3 PG7	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	Municipal Manager
		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	SCM Manager
	contracts and confirm compliance with requirements	6.4 PG8A	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Municipal Manager
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	Municipal Manager
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage	Approve amount of time and cost overruns up to the threshold	Municipal Manager
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order up to 20%	Approve amount of time and cost overruns above a the threshold	Municipal Manager
		6.8 PG8E	Obtain approval to cancel or terminate a contract	Approve amount	Municipal Manager
		6.9 PG8F	Obtain approval to amend a contract	Approve proposed amendment to contract	Municipal Manager

Stepped thresholds leading up to the 20% 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:

≤ 2, 5 % - contract manager;

2, 5 to 10% - project director

> 10% - Municipal Manager

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 contactor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	Director: Infrastructure
3	FG2	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	SCM Manager
4	FG3	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	Director: Financial Services
5	FG4	Authorise the issuing of the order	If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	SCM Manager

6.1.1.3 Evaluation committee

6.1.1.3.1 The Municipal Manager or the appropriately delegated authority 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 City of Matlosana with requisite skills. Other members

shall include a supply chain management practitioner 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 Municipal Manager of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4 Adjudication/Tender committee

6.1.1.4.1 The tender committee shall comprise the following persons or their mandated delegate:

- a) Chief Financial Officer who shall be the chairperson:
- b) Director Civil Services & Human settlements
- c) Director Macro city planning & Development
- d) Director Infrastructure Services
- e) Manager Supply Chain Management
- f) Director Corporate Services

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 Adjudication 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 delegated 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 SCM Manager 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 adjudication committee or the Municipal, 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

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of City of Matlosana 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 City of Matlosana 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 the 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 City of Matlosana 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 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 City of Matlosana Municipality proprietary information.

6.1.3.2.2 The employees and agents of City of Matlosana 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 the municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) City of Matlosana 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 City of Matlosana 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 City of Matlosana Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 City of Matlosana 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 City of Matlosana Municipality's confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of City of Matlosana 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 City of Matlosana 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 City of Matlosana 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 City of Matlosana 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 16
- 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.

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 City of Matlosana 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 the 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

The Municipal Manager or Chief Financial Officer or appropriately delegated authority 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

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

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

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 [name of municipality or municipal entity]; 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 City of Matlosana 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 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 City of Matlosana 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 City of Matlosana 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 municipality's infrastructure delivery management system shall be addressed to the Municipal Manager. Such complaints shall be in writing.

6.1.8.2 The Infrastructure department 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

6.2.1.1 The 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 City of Matlosana 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 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 City of Matlosana 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

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 30 000, 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 City of Matlosana 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 the Municipal Manager 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 noncompliant 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 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 6.2.2.1.4(e).

6.2.2.2 Municipal rates and taxes

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 [name of municipality or municipal entity] 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 municipality's website and on the National Treasury eTender Publication Portal. Advertisements shall be placed by the supply chain management unit.

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 the supply chain management unit.

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 the supply chain management unit.

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.

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

6.2.5.1 The Manager SCM 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 Manager SCM shall publish within 7 working days of the award of a contract the following on the City of Matlosana' 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 Manager SCM 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.

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.

6.2.6 Disposal committee

6.2.6.1 The Municipal Manager 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 City of Matlosana municipality.

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

6.3 REPORTING OF INFRASTRUCTURE DELIVERY MANAGEMENT INFORMATION

The SCM Manager shall submit any reports required in terms of the standard to the National Treasury or North West Provincial Treasury.

6.3.1 The implementer shall report to the relevant treasury within one month of the award of a contract or the issuing of an order, all engineering and construction, supply, service and professional service contracts that are awarded, or orders that are issued, should the total of prices including VAT exceed the following thresholds.

VALUE OF CONTRACT OR ORDER INCLUDING VAT			
Services contract	Professional services	Supply	Engineering and construction works
R25M	R25M	R50M	R50M

7 Infrastructure procurement

7.1 Usage of procurement procedures

The municipality shall use all applicable Supply Chain Management / Procurement administrative and compliance procedures applicable to infrastructure procurement

7.2 Procurement documents

7.2.1 The forms of contract that may be used are as follows

Form of Contract	Code	Intended usage
Construction Industry Development Board (CIDB)		
CIDB Standard Professional Service Contract	SPSC	Professional services
CIDB General Conditions of Purchase	-	An order form type of contract for low-value goods without any incidental work services on or before a specified date being required.
CIDB Contract for the Supply and Delivery of Goods	-	Simple, regional purchase of readily available materials or commodities which require almost no management of the buying and delivery process, minimal

		testing, installation and commissioning of delivery.
CIDB General Conditions of Service	-	An order form type of contract where low value services on or before a specified date are required.
International Federation of Consulting Engineers (FIDIC)		
FIDIC Short Form of Contract	Green Book	Building or engineering works of relative small capital value, or for relatively simple or repetitive work, or for work of short duration. Use for design by employer- or contractor-designed works
FIDIC Conditions of Contract for Construction for Building and Engineering Works designed by the Employer	Red Book	Building or engineering works designed by the employer. (The works may include some elements of contractor-designed works.)
FIDIC Conditions of Contract for plant and design-build for electrical and mechanical plant, and for building and engineering works, designed by the contractor	Yellow Book	The provision of electrical or mechanical plant and the design and construction of building or engineering works.
FIDIC Conditions of Contract for EPC Turnkey Projects	Silver Book	The provision on a design and construct (turnkey) basis of a process or power plant, of a factory or similar facility, or an infrastructure project or other type of development.
FIDIC Conditions of Contract for Design, Build and Operate Projects	Gold Book	"Green field" building or engineering works which are delivered in terms of a traditional design, build and operate sequence with a 20-
South African Institute of Civil Engineering (SAICE)		
SAICE General Conditions of Contract for Construction Works	GCC	Engineering and construction, including any level of design responsibility.
Joint Building Contracts Committee (JBCC)		
JBCC Principal Building Agreement	PBA	Buildings and related site works designed by the employer
JBCC Minor Works Agreement	MWA	Buildings and related site works of simple content designed by the employer.
Institution of Civil Engineers (ICE)		
NEC3 Engineering and Construction Contract	ECC	Engineering and construction including any level of design responsibility.
NEC3 Engineering and Construction Short Contract	ECSC	Engineering and construction which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the employer and contractor.
NEC3 Professional Services Contract	PSC	Professional services, such as engineering, design or consultancy advice.
NEC3 Professional Services Short Contract	PSCC	Professional services which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the client and consultant.

NEC3 Term Service Contract	TSC	Manage and provide a service over a period of time.
NEC3 Term Service Short Contract	TSSC	Manage and provide a service over a period of time, or provide a service which does not require sophisticated management techniques, comprises straightforward work and imposes only low risks on both the employer and contractor.
NEC3 Supply Contract	SC	Local and international procurement of high-value goods and related services, including design.
NEC3 Supply Short Contract	SSC	Local and international procurement of goods under a single order or on a batch order basis and is suitable for use with contracts which do not require sophisticated management techniques, and impose only low risks on both the purchaser and the supplier.

7.2.2 The 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 the Municipal Manager prior to being issued for tender purposes.

7.2.3 Disputes arising from the performance of a contract shall be finally settled in a South African court of law.

7.2.4 Additional requirements not stated or included in the standard templates, if any, must be added; e.g. use of standard access specifications, health and safety specifications, etc.

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

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

7.3 Developmental procurement policy

7.3.1 City of Matlosana Municipality shall utilise procurement to promote Broad-Based Black Economic Empowerment in accordance with the provisions of the Broad-Based Black Economic Empowerment Act and, where appropriate, to promote:

- a) work opportunities for target groups; and
- b) national development goals, such as those identified by the Presidential Infrastructure Coordinating Commission.

7.3.2 Not less than 50% of the points allocated to preference in a points scoring system in the evaluation of tenders shall be allocated to Broad-Based Black Economic Empowerment goals.

7.3.3 Minimum local content shall be included in contracts in accordance with the Preferential Procurement Regulations issued in terms of the Preferential Procurement Policy Framework Act. Requirements shall be evaluated in tenders through declarations made by tenderers and shall be included in the scope of work associated with the contract.

7.3.4 The targeted procurement procedures that may be used to promote social and economic objectives shall include one or more of the following:

- a) the granting of preferences;
- b) accelerated rotations on electronic databases, where appropriate;
- c) the granting of up to 10% of the total number of evaluation points used to short-list tenderers following a call for expressions of interest;
- d) financial incentives for the attainment of key performance indicators in the performance of the contract; and
- e) the creation of contractual obligations to engage target groups in the performance of the contract by establishing requirements for the tendering of subcontracts in terms of a specified procedure, or establishing obligations to attain contract participation goals in accordance with the relevant provisions of SANS 10845.

7.4 Payment of contractors

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

7.5 Approval to utilise specific procurement procedures

7.5.1 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) The Municipal Manager shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
- b) The Municipal Manager 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.

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is Municipal Manager.

7.6 Receipt and safeguarding of submissions

7.6.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.

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

7.7 Opening of submissions

7.7.1 Submissions shall be opened by an opening panel comprising two people nominated by the Manager SCM who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.7.2 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.

7.7.3 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 7.7.3(h).

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

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

7.8 Use of another organ of state’s framework agreement

The City of Matlosana 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 shall make the necessary application to that organ of state to do so.

7.9 Insurances

7.9.1 Contractors shall be required to take out all insurances required in terms of the contract.

7.9.2 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 the Municipal Manager.

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

Table 4: Minimum insurance cover

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) caused by activity in connection with a contract	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 their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million other R3,0 million

7.9.4 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 the Municipal Manager.

7.9.5 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.

7.9.6 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 Municipal Manager in relation to the nature of the service that they provide.

7.9.7 City of Matlosana 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.

7.9.8 Where payment is to be made in multiple currencies, either the contractor or City of Matlosana 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.

7.10 Written reasons for actions taken

7.10.1 Written reasons for actions taken shall be provided by the Municipal Manager.

7.10.2 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.

7.10.3 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.

7.11 Request for access to information

7.11.1 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 City of Matlosana 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 City of Matlosana Municipality.

7.11.2 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.