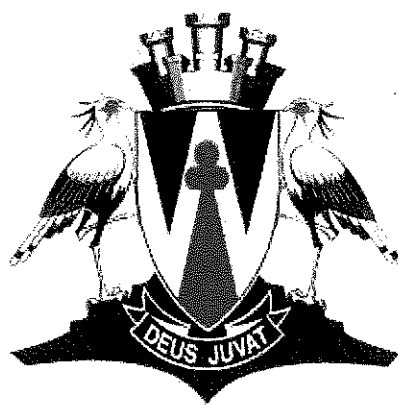


# **CENTRAL KAROO DISTRICT MUNICIPALITY**



**Financial Policies  
2016/17**

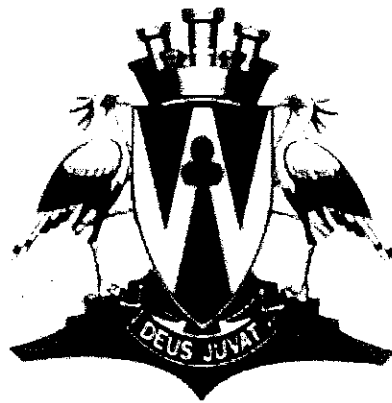


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# **CENTRAL KAROO DISTRICT MUNICIPALITY**



## **CASH MANAGEMENT AND INVESTMENT POLICY**

**APPROVED BY COUNCIL:  
DATE OF IMPLIMENTATION:**

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CKDM: CASH MANAGEMENT AND INVESTMENT  
POLICY

1

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## 1. Definitions

For the purpose of this policy-

**"Accounting Officer"** – means the person appointed by the Municipal Council as the Accounting officer for the municipality in terms of section 82 of the Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998) and includes any person:

- (a) to whom the Accounting officer has delegated a power, function or duty in respect of such a delegated power, function or duty.

**"Council"** shall mean the Council of the municipality, any committee or person to which or to whom an instruction has been given or any power has been delegated or sub-delegated in terms of, or as contemplated in, section 59 of the Local Government: Municipal Systems Act, 2000 or a service provider in respect of any power, function or duty of the Council.

**"Councillor"** shall mean a member of the municipal Council of the Central Karoo District Municipality.

**"Chief Financial Officer"** shall mean the head of the Financial Services Department as contemplated in sec 80 of the MFMA.

**"Investment"** – means –

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

**"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 a municipality or municipal entity to –

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

**"Municipality"** means the Central Karoo District Municipality

**"Official"** shall mean all persons in the employment of the Central Karoo District Municipality.

## **2. Compliance with laws and legislation**

- 2.1 Section 13(1) and (2) of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) requires that a municipality establish an appropriate and effective cash management and investment policy within which the municipality must;
  - 2.1.1 conduct its cash management and investments, and
  - 2.1.2 invest money not immediately required, in accordance with any framework which may be prescribed.
- 2.2 National Treasury has issued municipal investment regulations (No. R.308) dated 1st April 2005 (Government Gazette no. 27431) which sets out a framework within which, all municipalities shall conduct their cash management and investments.
- 2.3 All investments made by the municipality, or by an investments manager on behalf of the municipality, must be in accordance with the investment policy and any investment regulations promulgated by national government.

## **3 Objectives of the investment policy**

- 3.1 To ensure compliance with the relevant legal and statutory requirements relating to cash management and investments;
- 3.2 To ensure that the council of the municipality who effectively are the custodians of the public revenues, which it collects, managed the cash resources effectively and efficiently.
- 3.3 The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.
- 3.4 The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management program, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.



#### **4 Standards of ethics and judgement and due care**

- 4.1 The accounting officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the executive mayor or mayoral committee and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.
- 4.2 All investments made, shall be in the name of the Central Karoo District Municipality.
- 4.3 In making such investments the accounting officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the executive mayor or mayoral committee, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.
- 4.4 The Accounting officer must at all times, when making an investment, consider:
  - (a) The security of the investment.
  - (b) The liquidity needs of the Central Karoo District Municipality.
  - (c) Probable income or return derived from the investment.
- 4.5 Neither the accounting officer or chief financial officer nor members of the mayoral committee, may accept any gift, other than an item having such negligible value of not more than R 150.00 that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

#### **5 Underlying investment principles**

##### **5.1 Permitted Investments**

- 5.1.1 The Accounting Officer must ensure that only the following investment types are utilized in terms of sec 6 of the Municipal Investment Regulations (No. R. 308) dated 1 April 2005:

- (a) Securities issued by national government.

- (b) Listed corporate bonds with an investment grade rating from a recognized credit rating agency.
- (c) Deposits with banks registered in terms of the Banks Act (Act 45 of 1984).
- (d) Deposits with the Public Investment Commissioners.
- (e) Deposits with the Corporation for Public Deposits.
- (f) Banker's acceptance certificate or negotiable certificates of deposits of registered banks.
- (g) Guaranteed endowment policies with the intention of establishing a sinking fund.
- (h) Repurchase agreements with registered banks.
- (i) Municipal bonds issued by a municipality.
- (j) Any other investment type as identified by the Minister of Finance in consultation with the Financial Services Board.

## 5.2 *Limiting Exposure*

5.2.1 The accounting officer shall ensure that the municipality diversifies its investment portfolio across institutions, types of investment and investment maturities in order to limit the risk exposure of the municipality.

## 5.3 *Risk and Return*

5.3.1 Although the objective of the accounting officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned.

5.3.2 No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall only be made with deposit-taking institutions registered in terms of the Banks Act (Act 45 of 1984).

5.3.3 No investment is allowed which is affected by fluctuations in the value of the Rand against any foreign currency.

#### *5.4 Payment of Commission*

- 5.4.1 Every financial institution with which the municipality makes an investment must issue a certificate to the accounting officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment, including councilors, officials or related spouses or family members.

#### *5.5 Call Deposits and Fixed Deposits*

- 5.5.1 Before making any call or fixed deposits, the accounting officer, shall obtain quotations from at least three financial institutions.
- 5.5.2 Given the volatility of the money market, the accounting officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).
- 5.5.3 Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).
- 5.5.4 Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of section 7 below) shall be paid over only to such institution itself and not to any agent or third party.
- 5.5.5 Once the investment has been made, the accounting officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

#### *5.6 Restriction on Tenure of Investments*

- 5.6.1 No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor or the mayoral committee, as the case may be.

## **6 Control over investment portfolio**

- 6.1 The accounting officer shall ensure that proper records are kept of all investments made by the municipality.
- 6.2 Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date.
- 6.3 If the investment is liquidated at a date other than the maturity date, such date shall be indicated.
- 6.4 The accounting officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.
- 6.5 The accounting officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.
- 6.6 The municipality shall be permitted to employ an investment manager to:
- (a) advise it on its investments; and/or
  - (b) manage specific investments on its behalf.

Appointment of an investment manager shall be made in accordance with the municipality's supply chain management policy;

All investments made by an investments manager must be in accordance with this policy;

Any fees and/or commissions paid to an investee or an investments manager must be declared disclosing all the particulars concerning any fees or commissions payable; and

Investments managers found guilty of non-compliance with this policy, as well as the National Treasury Investment Regulations, shall be held liable for any loss or penalty suffered by the municipality.

## **7 Reporting on investments**

- 7.1 The Accounting officer must submit, as part of the Section 71 report of the Municipal Finance Management Act (Act 56 of 2003), a report to the Executive Mayor describing, in accordance with GRAP, the investment portfolio of the Central Karoo District Municipality at the end of each month.
- 7.2 The monthly report on Investments must include:
- (a) Market value of each investment – beginning and end period.
  - (b) Any changes to the Investment portfolio.
  - (c) Accrued interest.
  - (d) Liquidated investments that have no minimum acceptable credit rating.

## **Cash management**

### **8 Banking arrangements**

- 8.1 The accounting officer is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer.
- 8.2 The accounting officer and chief financial officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts.
- 8.3 The accounting officer, in consultation with the chief financial officer, is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time.
- 8.4 The list of current signatories shall be reported to the executive mayor or the mayoral committee, as the case may be, on a monthly basis, as part of the report dealing with the municipality's investments.
- 8.5 In compliance with the requirements of good governance, the accounting officer shall open a Primary Bank Account for ordinary operating purposes, and shall further maintain a separate ledger account for the administration of the Capital Replacement Reserve.
- 8.6 One or more separate accounts shall also be maintained for the following:  
capital receipts in the form of grants, donations or contributions from

whatever source; and the municipality's self-insurance reserve (if legally permissible).

- 8.7 In determining the number of additional accounts to be maintained, the accounting officer, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. \_\_\_\_\_

Comment [U1]: If applicable

- 8.8 Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality. \_\_\_\_\_

Comment [U2]: If applicable

## **9 Raising of debt finance**

- 9.1 The accounting officer is responsible for the raising of debt, but may delegate this function to the chief financial officer, who shall then manage this responsibility in consultation with the accounting officer.
- 9.2 All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the council.
- 9.3 Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.
- 9.4 Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the accounting officer.
- 9.5 Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.
- 9.6 The municipality shall not borrow for the purposes of investing or speculating in short or long term financial instruments.

## **10 Cash Collection**

- 10.1 All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis except in the case of satellite offices.
- 10.2 The respective responsibilities of the accounting officer and other executive directors of departments in this regard will be defined in a code of financial practice approved by the accounting officer and the chief financial officer.
- 10.3 The unremitant support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

## **11 Payments to Creditors**

- 11.1 The accounting officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality.
- 11.2 This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the accounting officer before any payment is made.
- 11.3 In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the accounting officer before any payment is made.
- 11.4 Notwithstanding the foregoing policy directives, the accounting officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the accounting officer determines that there are financial incentives for the municipality to do so.

- 11.5 The accounting officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned.
- 11.6 Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.
- 11.7 Special payments to creditors shall only be made with the express approval of the accounting officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

## **12 Management of Inventory**

- 12.1 Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and emergency requirements in the case of items which are readily available from suppliers.
- 12.2 Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the accounting officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

## **13 Cash Management Program**

- 13.1 The accounting officer shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a monthly basis.
- 13.2 The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred.
- 13.3 Heads of departments shall in this regard furnish the chief financial officer with all such information as is required, timeously and in the format indicated.



- 13.4 The accounting officer shall report to the mayoral committee on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate.
- 13.5 The cash flow estimates shall be divided into calendar months, and in reporting the accounting officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

#### **14 Amendments**

- 14.1 The accounting officer or his/her delegate must review the policy on an annual basis.

## **SENTRAAL KAROO DISTRIKMUNISIPALITEIT**



### **VOORSIENINGSKANAAL-BESTUURSBELEID**

Hersien: Julie 2015

**GOEDGEKEUR:**

*"OPTIMAL QUALITY OF LIFE FOR ALL"*

### **MUNISIPALE VOORSIENGSKANAAL-BESTUURSBELEID**

**PLAASLIKE REGERING: WET OP MUNISIPALE FINANSIËLE BESTUUR, 2003**

Hierdie beleid is deur die SENTRAAL KAROO DISTRIKS Munisipaliteit op [voeg datum in] aanvaar per besluit [voeg besluit nommer of verwysing in] ingevolge artikel 111 van die Wet op Munisipale Finansiële Bestuur, 2003 (Wet Nr. 56 van 2003).

## INHOUDSOPGAWE

1. Definisies

### HOOFSTUK 1

#### INSTELLING EN IMPLEMENTERING VAN VOORSIENINGSKANAAL- BESTUURSBELEID

2. Voorsieningskanaal-Bestuursbeleid
3. Aanvaarding en wysiging van voorsieningskanaal-bestuursbeleid
4. Delegasie van voorsieningskanaal-bestuursmagte en -pligte
5. Sub-delegasies
6. Raad se toesighoudende rol
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### HOOFSTUK 2

#### RAAMWERK VIR VOORSIENINGSKANAAL-BESTUUR

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##### *Deel 1: Vraag-bestuur*

10. Vraag-bestuurstelsel

##### *Deel 2: Aankope-bestuur*

11. Aankope-bestuurstelsel
12. Omvang van verkrygings-prosesse
13. Algemene voorvereistes vir oorweging van geskrewe kwotasies of tenders
14. Lyste van geakkrediteerde voornemende verskaffers
15. Kleinkas-aankope
16. Geskrewe of mondelingse kwotasies
17. Formeel geskrewe prys-kwotasies
18. Prosedures vir aanskaf van goedere of dienste deur geskrewe of mondelingse kwotasies en formele geskrewe prys-kwotasies
19. Mededingende tender-proses
20. Proses vir mededingende tenders
21. Tender-dokumentasie vir mededingende tenders
22. Openbare uitnodiging vir mededingende tenders
23. Prosedure vir hantering, opening en aantekening van tenders
24. Onderhandelinge met voorkeurtenderaars
25. Twee-fase tender-proses
26. Komiteestelsel vir mededingende tenders
27. Tenderspesifikasiekomitees
28. Tenderevaluasiëkomitees
29. Tender-beoordelingskomitees
30. Verkryging van bankdienste
31. Verkryging van IT-verwante goedere of dienste
32. Verkryging van goedere en dienste onder kontrakte aangegaan deur ander staatsorgane
33. Verkryging van goedere wat besondere veiligheids-maatreëls vereis
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35. Aanstel van konsultante
36. Afwyking van, en bekragtiging van kleiner skendings van verkrygings-prosesse
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##### *Deel 3: Logistiek-, Verkope-, Risiko- en Prestasiebestuur*

39. Logistiek-bestuur
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41. Risiko-bestuur
42. Prestasie-bestuur

##### *Deel 4: Ander aangeleenthede*

43. Verbod op toekenning aan persone wie se belastingsaangeleenthede nie in orde is nie
44. Verbod op toekenning aan persone in diens van die staat
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49. Besware en klagtes
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51. Kontrakte wat voorsiening maak vir vergoeding op omset gegrond

**ADDENDUM A – Toekennings punte volgens Regulasie 2011.**

**ADDENDUM B - Geakkrediteerde verskaffer**

**ADDENDUM C – Delegasie opsomming**

**ADDENDUM D – Gedragskode vir VKB Amptenare**

## **Definisies**

1. In hierdie beleid, tensy die konteks andersins aandui, het 'n woord of uitdrukking waaraan 'n betekenis deur die Wet toegeken is, dieselfde betekenis as in die Wet, en –

**“mededingende tender-proses”** beteken 'n mededingende tender-proses waarvan melding gemaak word in paragraaf 12 (1) (d) van hierdie beleid;

**“mededingende tender”** beteken 'n tender ingevolge 'n mededingende tenderproses;

**“finale toekenning”**, met betrekking tot tenders of kwotasies ingedien vir 'n kontrak, beteken die finale besluit oor watter tender of kwotasie te aanvaar;

**“formele geskrewe pryskwotasie”** beteken kwotasies waarvan melding gemaak word in paragraaf 12(1) (c) van hierdie beleid;

**“in diens van die staat”** beteken om –

- (a) 'n lid te wees van –
  - (i) enige munisipale raad;
  - (ii) enige provinsiale wetgewende liggaam; of
  - (iii) die Nasionale Vergadering of die Nasionale Raad van Provinsies;
- (b) 'n lid te wees van die direksie van enige munisipale liggaam;
- (c) 'n amptenaar te wees van enige munisipaliteit of munisipale liggaam;
- (d) 'n werknemer te wees van enige nasionale of provinsiale departement, nasionale of provinsiale openbare liggaam of konstitusionele instelling binne die betekenis van die Wet op Openbare Finansiële Bestuur, 1999 (Wet Nr.1 van 1999);
- (e) 'n lid te wees van die rekenpligtige gesag van enige nasionale of provinsiale openbare liggaam; of
- (f) 'n werknemer te wees van Parlement of 'n provinsiale wetgewende liggaam;

**“langtermynkontrak”** beteken 'n kontrak met 'n tydsduur van meer as een jaar;

**“lys van geakkrediteerde voornemende voorsieners”** beteken die lys geakkrediteerde voornemende voorsieners wat 'n munisipaliteit of munisipale liggaam moet bybou kragtens paragraaf 14 van hierdie beleid;

**“ander toepaslike wetgewing”** beteken enige ander wetgewing van toepassing op munisipale voorsieningskanaal-bestuur, insluitend –

- (a) die Wet op die Raamwerk vir Voorkeurverkrygings-beleid, 2000 (Wet Nr. 5 van 2000);
- (b) die “Broad-Based Black Economic Empowerment Act”, 2003 (Wet Nr. 53 van 2003); en –

(c) die Wet op die Konstruksie-industrie Ontwikkelingsraad, 2000 (Wet Nr.38 van 2000);

“Regulasie” beteken die Plaaslike Regering: Munisipale Voorsieningskanaal-Bestuursregulasies (No 868 van 2005);

“Tesourie-riglyne” beteken enige riglyne oor voorsieningskanaal-bestuur uitgereik deur die Minister kragtens artikel 168 van die Wet;

“die Wet” beteken die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003 (Wet Nr. 56 van 2003);

“geskrewe of mondelingse kwotasies” beteken kwotasies waarvan melding gemaak word in paragraaf 12(1)(b) van hierdie beleid.

## HOOFSTUK 1

### INSTELLING EN IMPLEMENTERING VAN VOORSIENINGSKANAAL-BESTUURSBELEID

#### Voorsieningskanaal- Bestuursbeleid

2. (1) Die SENTRAAL KAROO DISTRIKS Munisipaliteit besluit kragtens artikel 111 van die Wet om 'n voorsieningskanaal-bestuursbeleid te hê en te implementeer wat –

(a) uitvoering gee aan –

- (i) artikel 217 van die Grondwet; en
- (ii) Afdeling 1 van Hoofstuk 11 en ander toepaslike bepalings van die Wet;
- (iii) Voorsienings kanaal regulasies.

(b) regverdig, onpartydig, deursigtig, kompetend en koste-effektief is;

(c) voldoen aan –

- (i) die regulerende raamwerk voorgeskryf in Hoofstuk 2 van die Regulasies; en
- (ii) enige minimum norme en standaarde wat voorgeskryf mag word kragtens artikel 168 van die Wet;

(d) nie-strydig is met ander toepaslike wetgewing nie;

(e) nie die doelwit vir eenvormigheid in voorsieningskanaal-bestuurstelsels tussen organe van die staat in alle sferes benadeel nie; en -

(f) nie strydig is met nasionale ekonomiese beleid aangaande die bevordering van beleggings en handel dryf met die openbare sektor nie.

(g) Voldoen aan die hoogste etiese waardes.

(h) Plaaslike ekonomie bevorder.

(2) Die munisipaliteit mag nie anders optree as in ooreenstemming met hierdie voorsieningskanaal-bestuursbeleid by die –

(a) verkryging van goedere of dienste;

(b) verkope van goedere wat nie meer benodig word nie;

(c) selektering van kontrakteurs om bystand te verskaf met die voorsiening van munisipale dienste anders as in omstandighede waar Hoofstuk 8 van die Wet op Munisipale Stelsels van toepassing is; of

- (d) in geval van 'n munisipaliteit, selektering van eksterne meganismes waarna verwys is in artikel 80 (1) (b) van die Wet op Munisipale Stelsels vir die verskaffing van munisipale dienste in omstandighede beoog in artikel 83 van daardie Wet.

- (3) Sub-paragrafe (1) en (2) van hierdie beleid is nie van toepassing nie in die omstandighede in artikel

110 (2) van die Wet beskrywe behalwe waar spesifiek in hierdie beleid andersins voorsien.

- (4) Die verantwoordelikheid om hierdie beleid te implementeer word aan die Rekenpligtige Beampte gegee.

Indien die Rekenpligtige Beampte afwesig is van diens, word die verantwoordelikheid die van die persoon wat in die Rekenpligtige Beampte se pos waarneem.

#### **Aanvaarding en wysiging van die voorsieningskanaal-bestuursbeleid**

##### **3. (1) Die rekenpligtige beampte moet –**

- (a) ten minste jaarliks die implementering van hierdie beleid hersien; en -
- (b) wanneer die rekenpligtige beampte dit nodig ag, voorstelle indien by die raad vir die wysiging van hierdie beleid.
- (2) Indien die rekenpligtige beampte 'n konsep-beleid by die raad indien wat verskil van die model-beleid, moet die rekenpligtige beampte verseker dat die konsep-beleid nie-strydig is met die Regulasies. Die rekenpligtige beampte moet enige afwyking van die model-beleid aan die Nasionale Tesourie en die relevante Provinsiale Tesourie rapporteer.
- (3) Wanneer hierdie voorsieningskanaal-bestuursbeleid gewysig word moet die behoefte vir eenvormigheid in voorsieningskanaal-praktyke, -prosedures en -vorme tussen organe van die staat in alle sferes, veral om toeganklikheid van voorsieningskanaal-bestuurstelsels vir klein besighede te bevorder, in aanmerking geneem word.
- (4) Die rekenpligtige beampte van 'n munisipaliteit moet kragtens artikel 62(1)(f)(iv) van die Wet, alle redelike stappe doen om te verseker dat die munisipaliteit hierdie voorsieningskanaal-bestuursbeleid het en implementeer.

#### **Delegasie van voorsieningskanaal-bestuursmagte en -pligte**

##### **4. (1) Die raad delegeer hierdeur sodanige addisionele magte en pligte aan die rekenpligtige beampte om die rekenpligtige beampte in staat te stel –**

- (a) om gestand te doen aan die voorsieningskanaal-bestuursverpligtinge wat aan rekenpligtige amptenare toegeken word kragtens –
- (i) Hoofstuk 8 of 10 van die Wet; en
- (ii) die voorsieningskanaal-bestuursbeleid;
- (b) om administratiewe en operasionele doeltreffendheid by die implementering van die voorsieningskanaal-bestuursbeleid te maksimeer;
- (c) om redelike koste-effektiewe maatreëls vir die voorkoming van bedrog, korrupsie, partydigheid en onbillike en onreëlmatige praktyke by die implementering van die voorsieningskanaal-bestuursbeleid af te dwing; en -
- (d) om sy of haar verpligtinge kragtens artikel 115 en ander toepaslike bepalings van die Wet na te kom.
- (2) Artikels 79 en 106 van die Wet het betrekking op die sub-delegasie van magte en pligte aan 'n rekenpligtige beampte kragtens sub paragraaf (1) van hierdie beleid gedelegeer.
- (3) Die raad of rekenpligtige beampte mag nie enige voorsieningskanaal-bestuursmagte of -pligte aan 'n persoon wat nie 'n amptenaar van die munisipaliteit is nie, of aan 'n komitee wat nie uitsluitlik saamgestel is uit amptenare van die munisipaliteit, delegeer of sub-delegeer nie;
- (4) Hierdie paragraaf mag nie gelees word as om 'n amptenaar aan wie die mag om finale toekennings te maak gedelegeer is, toe te laat om 'n finale toekenning te maak in 'n

mededingende tenderproses anders as deur die komitee stelsel waarvoor in paragraaf 26 van hierdie beleid voorsiening gemaak is nie.

#### **Sub-delegasies**

5. (1) Die rekenpligtige beampte mag kragtens artikel 79 of 106 van die Wet enige voorsieningskanaal-bestuursmagte en -pligte, insluitend dié wat kragtens hierdie beleid aan die rekenpligtige beampte gedelegeer is, sub-delegeer, maar enige sub-delegasie moet niestrydig wees met sub-paragraaf (2) en paragraaf 4 van hierdie beleid nie.
- (2) Die mag om 'n finale toekenning te maak –
- (a) bo R3 miljoen (BTW ingesluit) mag nie deur die rekenpligtige beampte gesubdelegeer word nie;
- (b) bo R200 duisend (BTW ingesluit), maar wat nie R3 miljoen (BTW ingesluit) oorskry nie, mag gesubdelegeer word, maar alleenlik aan –
- (i) 'n tender-beoordelingskomitee waarvan die hoof finansiële beampte 'n lid is; of
- (c) bo R30 duisend (BTW ingesluit) wat nie R200 duisend oorskry nie, mag gesubdelegeer word, maar alleenlik aan –
- 'n Direkteur van die betrokke Departement of na 'n senior amptenaar in die voorsieningskanaal bestuurseenheid
- (d) wat nie R30 duisend (BTW ingesluit) oorskry nie, mag gesubdelegeer word, aan die Direkteur van die betrokke Departement of na 'n senior amptenaar in die voorsieningskanaal bestuurseenheid
- (3) 'n Amptenaar of tender-beoordelingskomitee aan wie die mag om finale toekennings te maak gesubdelegeer is in ooreenstemming met sub-paragraaf (2) van hierdie beleid moet binne vyf dae na die einde van elke maand 'n geskrewe verslag indien aan die amptenaar na wie verwys word in sub-paragraaf (4) van hierdie beleid wat besonderhede bevat van elke finale toekenning deur sodanige amptenaar of komitee gemaak gedurende daardie maand, insluitend –
- (a) die bedrag van die toekenning;
- (b) die naam van die persoon aan wie die toekenning gemaak is; en -
- (c) die rede waarom die toekenning aan daardie persoon gemaak is.
- (4) 'n Geskrewe verslag, waaraan in sub-paragraaf (3) van hierdie beleid verwys is, moet ingedien word
- (a) by die rekenpligtige beampte, in die geval van 'n toekenning deur –
- (i) die hoof finansiële beampte;
- (ii) 'n senior amptenaar in die voorsieningskanaal bestuurseenheid; of
- (iii) 'n tender-beoordelingskomitee waarvan die hoof finansiële beampte of 'n senior bestuurder 'n lid is; of
- (5) Sub-paragrafe (3) en (4) van hierdie beleid is nie van toepassing op aankope uit die kleinkas.
- (6) Hierdie paragraaf mag nie interpreteer word as om 'n amptenaar aan wie die mag om finale toekennings te maak gedelegeer is, toe te laat om 'n finale toekenning te maak in 'n mededingende tenderproses anders as deur die komitee stelsel waarvoor in paragraaf 26 van hierdie beleid voorsiening gemaak is nie.
- (7) Geen voorsieningskanaal-bestuursbesluitnemingsmagte mag gedelegeer word aan 'n raadgewer of konsultant nie.

#### **Raad se toesighoudende rol**

6. (1) Die raad moet toesig hou oor die implementering van hierdie voorsieningskanaal-bestuursbeleid.

- (2) Ten behoeve van sodanige toesig moet die rekenpligtige beampte binne 30 dae van die einde van elke finansiële jaar, 'n verslag oor die implementering van die voorsieningskanaal-bestuursbeleid van die munisipaliteit en van enige munisipale liggaam onder sy alleen- of gedeelde beheer, aan die raad van die munisipaliteit indien,
- (3) Enige afwykings en ernstige probleme met betrekking tot die implementering van die beleid te rapporteer deur 'n verslag aan die Raad te rig.
- (4) Die rekenpligtige beampte moet, binne 10 dae, van elke kwartaal 'n verslag oor die implementering van die Beleid by die burgemeester indien.
- (5) Die verslae moet oop en toeganklik vir die publiek wees. (Art. 21A van die Stelselwet)
- (6) Geen Raadslid van die Munisipaliteit mag 'n lid van enige van die Voorsieningskanaal komitees wees  
 nie. 'n Raadslid mag nie enige kwotasies, tenders of kontrakte evalueer of goedkeur nie, ook nie enige vergadering as 'n waarnemer bywoon nie.

#### **Voorsieningskanaal-bestuurseenhede**

7. (1) Die rekenpligtige beampte moet 'n voorsieningskanaal-bestuurseenheid stig om hierdie voorsieningskanaal-bestuursbeleid te implementeer.
- (2) Die voorsieningskanaal-bestuurseenheid moet, waar moontlik, onder die direkte toesig van die hoof finansiële beampte funksioneer of 'n amptenaar aan wie hierdie plig gedelegeer is kragtens artikel 82 van die Wet.

#### **Opleiding van voorsieningskanaal-bestuursamptenare**

8. Die opleiding van amptenare wat gemoeid is met die implementering van die voorsieningskanaal-bestuursbeleid behoort in ooreenstemming te wees met enige Tesourie-riglyne oor voorsieningskanaal-bestuursopleiding.

## **HOOFSTUK 2**

### **RAAMWERK VIR VOORSIENINGSKANAAL-BESTUUR**

#### **Formaat van voorsieningskanaal-bestuur**

9. Hierdie voorsieningskanaal-bestuursbeleid voorsien stelsels vir –

- (i) vraag-bestuur;
- (ii) aankope-bestuur;
- (iii) logistiek-bestuur;



- (iv) verkope-bestuur;
- (v) risiko-bestuur; en
- (vi) prestasie-bestuur.

### **Deel 1: Vraag-bestuur** **Stelsel van vraag-bestuur**

10. Die rekenpligtige beampte moet 'n effektiewe stelsel van vraagbestuur skep en implementeer om te kan verseker dat die goedere en dienste wat deur die Munisipaliteit benodig word die strategiese en operasionele doelwitte aanspreek. Dat die goedere en dienste benodig betyds gelever word, teen die beste prys op die regte perseel en dat die hoeveelheid reg is en die kwaliteit volgens goedgekeurde standaarde is.

10.1 Die vraag-bestuurstelsel moet:

- (a) Effektiewe tydsbeplanning en bestuursprosesse insluit om te verseker dat daar begroot is vir die goedere en dienste wat deur die Munisipaliteite benodig word, die regte hoeveelheid, kwaliteit is en effektiewe aflewering op die regte plek geskied teen minimum koste
- (b) Enige ekonomiese voordele in ag neem wat deur herhaalde aankope bewerkstellig word
- (c) Voorseining maak dat spesifikasies so opgestel word dat die behoefte aangespreek en bevredig word
- (d) Die nodige industriële ontleding en marknavorsing doen om te verseker dat innovasies en tegnologiese voordele gemaksimeer word
- (e) So ver moontlik 'n beraamde koste vir die voorsiening van die goedere en dienste maak waarvoor 'n tenders gevra gaan word
- (f) Leiding gee in hoe die gepaste voorkeerpunte stelsel bepaal gaan word in die tenderdokumente,
- (g) Die gids vir Rekenpligtige Amptenare raadpleeg vir duidelike riglyne.

### **Deel 2: Aankope-bestuur** **Stelsel van aankope-bestuur**

11. (1) Die rekenpligtige beampte moet, deur middel van operasionele prosedures, 'n effektiewe stelsel van aankope-bestuur skep om te kan verseker –

- (a) dat goedere en dienste deur die munisipaliteit of munisipale liggaam alleen verkry word in ooreenstemming met goedgekeurde prosesse;
  - (b) dat uitgawes aan goedere en dienste aangegaan is ingevolge 'n goedgekeurde begroting kragtens artikel 15 van die Wet;
  - (c) dat die drempelwaardes vir die verskillende aankope-prosesse nagekom word;
  - (d) dat tender-dokumentasie, -evaluering en -beoordelingskriteria, en algemene voorwaardes van 'n kontrak, in ooreenstemming is met enige toepaslike wetgewing; en -
  - (e) dat enige Tesourie-riglyne oor aankope-bestuur behoorlik in ag geneem word.
- (2) Hierdie voorsieningskanaal-bestuursbeleid, behalwe waar andersins voorsien in die beleid, is nie van toepassing ten opsigte van die verkryging van goedere en dienste in artikel 110(2) van die Wet beoog, insluitend –
- (a) water vanaf die Departement Waterwese of 'n openbare liggaam, 'n ander munisipaliteit of 'n munisipale liggaam; en -

- (b) elektrisiteit vanaf Eskom of 'n ander openbare liggaam, 'n ander munisipaliteit of 'n munisipale liggaam.
- (3) Die volgende inligting moet openbaar gemaak word wanneer ookal goedere of dienste in artikel 110(2) van die Wet beoog verkry word anders as deur die voorsieningskanaal-bestuurstelsel -
  - (a) die soort goedere of dienste; en -
  - (b) die naam van die verskaffer.

#### **Omvang van verkrygings-prosesse**

**12. (1)** Die verkryging van goedere en dienste deur hierdie beleid word voorsien deur middel van –

- (a) Kontant aankope tot op 'n transaksie waarde van R200,00. die aankope strokie moet aan die kontant bewys geheg word en moet deur 'n Hoof goedgekeur word.  
  
Kleinkas-aankope, tot op 'n transaksiewaarde van R 2 000,00 die aankope strokie moet aan die Bestelling bewys geheg word en moet deur 'n Hoof goedgekeur word.
- (b) Aankope van R 2001,00 tot R 5000,00 (BTW ingesluit); drie (3) mondelingse pryskwotasies vir aankope met 'n transaksiewaarde onder R 5000,00 (BTW ingesluit);
- (c) Drie (3) geskrewe pryskwotasies vir aankope met 'n transaksiewaarde van meer as R5001,00 tot op R30 000 (BTW ingesluit); en -
- (d) Formele kwotasies vir aankope met 'n transaksiewaarde van meer as R30 000 tot op R200 000 (BTW ingesluit); en -
- (e) 'n mededingende tender-proses vir–
  - (i) aankope met 'n transaksiewaarde bo R 200 000 (BTW ingesluit); en
  - (ii) die verkryging van langtermyn kontrakte.

(2) Die rekennpligtige beamppte mag, skriftelik, die verskillende drempelwaardes in sub-paragraaf verlaag, maar nie verhoog nie; of -

- (b) opdrag gee dat –
  - (i) mondelingse kwotasies verkry word vir enige spesifieke aanskaffing met 'n transaksiewaarde laer as R5000,00.;
  - (ii) geskrewe prys-kwotasies verkry word vir enige spesifieke aanskaffing met 'n transaksiewaarde laer as R30 000; of
  - (iii) formele kwotasies gevolg word vir enige spesifieke aanskaffing met 'n transaksiewaarde groter as R30 000.
  - (iv) 'n mededingende tender-proses gevolg word vir enige spesifieke aanskaffing met 'n transaksiewaarde groter as R200 000.
- (3) Goedere of dienste mag nie opsetlik opgedeel word in dele of items met 'n kleiner waarde bloot om die nakoming van die vereistes van die beleid te vermy nie. By die bepaling van transaksiewaardes, moet 'n behoefte aan goedere of dienste wat bestaan uit verskillende dele of items so vêr moontlik behandel en hanteer word as 'n enkele transaksie.

#### **Algemene voorvereistes vir oorweging van geskrewe kwotasies of tenders**

**13.** 'n Geskrewe kwotasie of tender mag nie oorweeg word tensy die verskaffer wat die kwotasie of tender ingedien het –

- (a) daardie verskaffer se –
  - (i) volle naam;
  - (ii) identiteitsnommer of maatskappy- of ander registrasienommer; en
  - (iii) belasting-verwysingsnommer en BTW-registrasienommer, indien enige, voorsien het nie.

- (iv) registrasienommer in terme van afdeling 18(1) van die Konstruksie en Nywerheids Ontwikkelingsraads-wet, wanneer die verskaffer tender of kwoteer vir konstruksie werke of dele daarvan
- (b) die munisipaliteit gemagtig het om 'n belasting-klaringsertifikaat vanaf die Suid-Afrikaanse Inkomstediens te bekom dat die verskaffer se belastingsake in orde is; en -
- (c) aangedui het -
  - (i) of hy of sy in diens van die staat is, of gedurende die afgelope twaalf maande in diens van die staat was;
  - (ii) indien die verskaffer nie 'n natuurlike persoon is nie, of enige van sy direkteure, bestuurders, hoof-aandeelhouders of inethouders in diens van die staat is, of gedurende die afgelope twaalf maande in diens van die staat was; of
  - (iii) of 'n eggenoot, kind of ouer van die verskaffer of van 'n direkteur, bestuurder, aandeelhouer of inethouder waarna verwys word in sub-paragraaf (ii) in diens van die staat is, of gedurende die afgelope twaalf maande in diens van die staat was.

#### **Lyste geakkrediteerde voornemende verskaffers**

##### **14. (1) Die rekenpligtige beampte moet -**

- (a) 'n lys aanhou van geakkrediteerde voornemende verskaffers van goedere en dienste wat gebruik moet word vir die verkrygings-vereistes van die deur geskrewe of mondelingse kwotasies en formele geskrewe prys-kwotasies; en -
  - (b) minstens een maal per jaar, deur middel van koerante wat algemeen plaaslik sirkuleer, die webwerf en enige ander toepaslike manier, voornemende verskaffers van goedere of dienste uitnooi om aansoek te doen vir evaluering en lysing as geakkrediteerde voornemende verskaffers;
  - (c) die lysings-kriteria vir geakkrediteerde voornemende verskaffers spesifiseer, soos per aanhangsel B en -
  - (d) die lysing van enige voornemende verskaffer wie se naam op die Nasionale Tesourie se databasis verskyn as 'n persoon wat verbied is om handel te dryf met die openbare sektor, te weier.
- (2) Die lys moet minstens kwartaaliks bygewerk word om enige addisionele voornemende verskaffers en enige nuwe kommoditeite of tipes van dienste in te sluit. Voornemende verskaffers moet toegelaat word om aansoeke vir lysing te eniger tyd in te dien.
- (3) Die lys moet opgestel word per kommoditeit en per tipe diens.

#### **Kontant en Kleinkas-aankope**

**15.** Die rekenpligtige beampte moet die voorwaardes vir die verkryging van goedere deur middel van kontant en kleinkas -aankope waarna in paragraaf 12 (1) (a) van hierdie beleid verwys word, vasstel, wat voorwaardes moet insluit wat -

- (a) die voorwaardes bepaal waaronder 'n bestuurder die verantwoordelikheid vir die kleinkas aan 'n amptenaar wat aan die bestuurder rapporteer mag deleger;
- (b) die getal kontant en kleinkas-aankope of die maksimum bedrae per maand vir elke bestuurder beperk;
- (c) enige tipe uitgawe waar dit nodig geag word, van kontant en kleinkas-aankope uitgesluit word; en -
- (d) maandelikse rekonsiliasie verslae van kontant aankope aan die hoof finansiële beampte verskaf, insluitend -
  - (i) die totale bedrag van kleinkas-aankope vir daardie maand; en -

- (ii) kwitansies en toepaslike dokumente vir elke aankoop.
- (e) daar net een kwotasie nodig word vir kleinkas aankope.

#### **Geskrewe of mondelingse kwotasies**

16. Die rekenpligtige beampte moet die vereistes bepaal vir die verkryging van goedere of dienste deur geskrewe of mondelingse kwotasies, wat vereistes moet insluit wat verklaar –
- (a) dat kwotasies bekom moet word vanaf ten minste drie verskillende verskaffers verkieslik van, maar nie beperk nie tot, verskaffers wie se name op die lys van geakkrediteerde voornemende verskaffers van die munisipaliteit of munisipale liggaam verskyn, op voorwaarde dat, indien kwotasies bekom word vanaf verskaffers wat nie gelys is nie, sodanige verskaffers aan die lysings-kriteria in die voorsieningskanaal-bestuursbeleid deur paragrawe 14(1)(b) en (c) van hierdie beleid bepaal, moet voldoen;
  - (b) dat, in sover doenlik, verskaffers versoek moet word om sodanige kwotasies skriftelik in te dien; nie later as die aangeduide tyd en datumen alle kwotasie kan per faks, e-pos of anders ingedien word
  - (c) dat indien dit nie moontlik is om ten minste drie kwotasies te bekom nie, die redes daarvoor aangeteken moet word en kwartaalliks aan die rekenpligtige beampte of ander amptenaar aangewys deur die rekenpligtige beampte gerapporteer word;
  - (d) dat die rekenpligtige beampte die name van die moontlike verskaffers wat versoek is om sodanige kwotasies te voorsien moet aanteken saam met hulle gekwoteerde pryse; en -
  - (e) dat indien 'n kwotasie mondelings ingedien was, die bestelling alleen geplaas mag word teen skriftelike bevestiging deur die verkose verskaffer.

#### **Geskrewe prys kwotasies**

17. (1) Die rekenpligtige beampte moet die vereistes vir die verkryging van goedere of dienste deur geskrewe prys-kwotasies bepaal, wat vereistes moet insluit wat verklaar –
- (a) dat kwotasies skriftelik bekom moet word vanaf ten minste drie verskillende verskaffers wie se name op die lys van geakkrediteerde voornemende verskaffers van die munisipaliteit verskyn;
  - (b) dat kwotasies bekom mag word vanaf verskaffers wat nie gelys is nie, op voorwaarde dat sodanige verskaffers aan die lysings-kriteria in die voorsieningskanaal-bestuursbeleid deur paragrawe 14(1)(b) en (c) van hierdie beleid bepaal, moet voldoen;
  - (c) dat verskaffers kwotasies in skrif duidelik gemerk en moet in die tenderboks geplaas of gefaks word om nie die Munisipaliteit later as die aangeduide datum en tyd te bereik nie. Gefakse, ge-e-posde of kwotasies wat na die sluitingsdatum of tyd ontvang word sal nie oorweeg word nie.
  - (c) dat indien dit nie moontlik is om ten minste drie kwotasies te bekom nie, die redes daarvoor aangeteken en goedgekeur moet word deur die hoof finansiële beampte of 'n amptenaar deur die hoof finansiële beampte aangewys, en -
  - (d) dat die rekenpligtige beampte die name van die moontlike verskaffers en hulle geskrewe kwotasies moet aanteken.
- (2) 'n Aangewysde amptenaar waarna in sub-paragraaf (1)(c) verwys word moet binne drie dae na die einde van elke maand verslag doen aan die hoof finansiële beampte oor enige goedkeurings gedurende daardie maand deur daardie amptenaar kragtens daardie sub-paragraaf toegestaan.

**Prosedures vir aanskaf van goedere of dienste deur Formele kwotasie proses.**

18. Die rekenpligtige beampte moet die operasionele prosedure bepaal vir die verkryging van goedere of dienste deur Formele kwotasie proses, wat moet stipuleer –

- (a) dat alle behoeftes wat R30 000 (BTW ingesluit) oorskry, wat verkry gaan word deur middel van 'n formele kwotasie proses moet, bo en behalwe die vereistes van paragraaf 17, geadverteer word vir ten minste sewe (7) dae op die webwerf en 'n amptelike kennisgewingbord van die munisipaliteit of munisipale liggaam;
- (b) dat wanneer die lys van geakkrediteerde voornemende verskaffers gebruik word, die rekenpligtige beampte deurlopende mededinging onder die verskaffers moet aanmoedig, insluitend deur verskaffers te nooi om kwotasies op 'n rotasie-basis in te dien;
- (c) Alle aanbiedinge wat ontvang word moet op 'n vergelykbare manier gevalueer word en alle onvoorwaardelike afkortings moet in ag geneem word.
- (d) dat die rekenpligtige beampte alle redelike stappe moet neem om te verseker dat die verkryging van goedere en dienste deur geskrewe of mondelingse kwotasies of formeel geskrewe prys kwotasies nie misbruik word nie;
- (e) dat die rekenpligtige beampte of hoof finansiële beampte op 'n maandelikse basis skriftelik kennis gegee moet word van alle geskrewe of mondelingse kwotasies en formeel geskrewe prys-kwotasies wat deur 'n amptenaar aanvaar is kragtens sub-delegasie, en;
- (f) Aanbiedinge onder R30 000(BTW Ingesluit) moet toegeken op die beginsel dat dit aan die spesifikasies en kontrak voorwaardes moet voldoen, die verskaffer die vermoë en die kapasiteit het om die produk of diens te lewer en die laagste prys
- (g) aanvaarbare aanbiedinge wat onderhewig is aan die voorkeur puntstelsel (en ander geassosieerde regulasies) moet aan die verskaffer met die hoogste puntetoekenning gegee word; mits dit aan al die wettiese voorwaardes voldoen;
- (h) vereistes vir behoorlike optekening.

#### **Mededingende tender-proses**

19.1 Goedere of dienste bo 'n transaksiewaarde van R200 000 (BTW ingesluit) en langtermyn kontrakte mag alleen verkry word deur middel van 'n mededingende tender-proses, onderworpe aan paragraaf 11(2) van hierdie beleid; en -

19.2 Geen behoefte aan goedere of dienste bo 'n geskatte transaksie-waarde van R200 000 (BTW ingesluit), mag opsetlik opgedeel word in dele of items met 'n kleiner waarde bloot om die goedere of dienste te verkry anders as deur middel van 'n mededingende tender-proses nie.

19.3 Die rekenpligtige beampte mag projekte met groot hoeveelhede opbreek in kleiner kontrakte (eenhede) om geleenthede vir opkomende besighede en entrepreneurs te skep. Voorafgaande mag net gedoen word mits dit logies, tegnies en finansiël moontlik is.

19.4 Na die formele toekening van 'n tender plaasgevind het moet die volgende besonderhede volgens

Artikel 75 van die MFMA op die webwerf van die munisipaliteit geplaas word; tender nommer, datum

geadverteer, datum goedgekeur, naam van aale tenders ontvang, naam van suksesvolle tenderaar,

beskrywing van diens of goedere, BBBEE status, tydperk van kontrak en waarde van die kontrak.

19.5 Slegs tenders met 'n goedgekeurde begroting kan geadverteer en toegeken word.

19.6 Die Rekenpligtige Beampte mag 'n bestaande kontrak of tender uitbrei. (MFMA cir 62). In die geval

van konstruksie en infrastruktuur tot 'n maksimum van 20% en vir ander dienste en goedere 'n maksimum van 15%. So 'n uitberiding van enige kontrak moet aan die Raad gerapporteer word.

Enige ander veranderinge van bestaande kontrakte moet volgens Artikel 116(3) van die MFMA hanteer word.

#### **Proses vir mededingende tenderaary**

**20.** Die rekenpligtige beampte moet prosedures vir 'n mededingende tender-proses vir elk van die volgende stappe skep:

- (a) die opstel van tender-dokumentasie; (paragraaf 21)
- (b) die openbare vra van tenders; (paragraaf 22)
- (c) vergaderings ter plaatse of voorligtingssessies, indien van toepassing; (paragraaf 22)
- (d) die hantering van tenders ingedien ingevolge openbare uitnodiging; (paragraaf 23)
- (e) die evaluering van tenders; (paragraaf 28)
- (f) die toekenning van kontrakte; (paragraaf 29)
- (g) die administrasie van kontrakte; en –
- (h) Na die toekenning van die kontrak, moet die rekenpligtige beampte en die tenderaar 'n geskrewe ooreenkoms aangaan.
- (i) behoorlike optekening.
- (j) Oorspronklike / wettige afskrifte en geskrewe kontrak ooreenkomste moet in 'n veilige plek bewaar word vir toekomstige verwysings.

#### **Tender-dokumentasie vir mededingende tenders**

**21.** Die rekenpligtige beampte moet die kriteria bepaal waaraan tender-dokumentasie vir 'n mededingende tender-proses moet voldoen, wat, bo en behalwe paragraaf 13 van hierdie beleid, moet –

- (a) in ag neem –
  - (i) die algemene kontrakvoorwaardes sowel as enige spesiale kontrakvoorwaardes;
  - (ii) enige Tesourie-riglyne oor tender-dokumentasie; en –
  - (iii) die vereistes van die Konstruksienywerheid-Ontwikkelingsraad, in geval van 'n tender in verband met konstruksie, opgradering of opknap van geboue of infrastruktuur;
  - (iiii) die tender moet voldoen aan die vereistes gestel in die CIDB regulasies van 2004, gedeelte 16(4) van die CIDB wet en aan die CIDB praktyk notas.
- (b) evaluering- en beoordelingskriteria bevat, voorkeur puntstelsel wat gebruik gaan word, die doelwitte wat bevorder gaan word, insluitend enige kriteria deur ander toepaslike wetgewing vereis; ook voldoen aan CIDB regulasies.
- (c) tenderaars dwing om enige belange-botsings wat hulle mag hê in die transaksie waarvoor die tender ingedien word te verklaar;
- (d) indien dit verwag word dat die waarde van die transaksie R3 miljoen (BTW ingesluit) sal oorskry, voorskryf dat die tenderaars –
  - (i) indien die tenderaar deur die wet verplig is om jaarlikse finansiële state vir ouditering voor te berei, hul geouditeerde jaarlikse finansiële state –
    - (aa) vir die afgelope drie jaar; of
    - (bb) vanaf hul stigting, indien gedurende die afgelope drie jaar gestig;
  - (ii) 'n sertifikaat, onderteken deur die tenderaar, wat sertifiseer dat die tenderaar geen onbestrede verpligtinge het vir munisipale dienste teenoor 'n munisipaliteit of ander diensverskaffer in verband waarmee betaling agterstallig is vir meer as 30 dae nie;

- (iii) besonderhede van enige kontrakte aan die tenderaar toegeken deur 'n staatsorgaan gedurende die afgelope vyf jaar, insluitend besonderhede van enige wesenlike nienakoming of dispuut rakende die uitvoering van sodanige kontrak;
- (iv) 'n verklaring wat aandui of daar verwag word of enige deel van die goedere of dienste van buite die Republiek verkry gaan word, en, indien so, watter deel en of daar verwag word dat enige deel van die betaling vanaf die munisipaliteit of munisipale liggaam na buite die Republiek oorgeplaas sal word; te voorsien, en
- (e) stipuleer dat dispute deur middel van onderlinge beraadslaging, bemiddeling (met of sonder regsverteenvoordiging), of, wanneer onsuksesvol, in 'n Suid-Afrikaanse geregshof geskik moet word. Klagtes en griewe moet ook volgens CIDB regulasies gehanteer word.
- (f) Vir spesifieke industrieë, soos geïdentifiseer deur die Departement Handel en Nywerheid, waar die toekenning van tenders aan plaaslike vervaardigers en verskaffers van kritieke belang is, dat sulke advertensies volgens 'n spesifieke voorwaardes opgestel word. Moet voldoen aan CIDB regulasies.

### **Openbare uitnodiging vir mededingende tenders**

22. Die rekenpligtige beampte moet die prosedure vir die vra van mededingende tenders vasstel, wat moet voorskryf dat:

- (1) (a) Enige uitnodiging aan voornemende verskaffers om tenders in te dien moet plaasvind deur middel van 'n openbare advertensie in koerante wat algemeen plaaslik sirkuleer, die webwerf van die munisipaliteit of munisipale liggaam of enige ander toepaslike maniere (wat 'n advertensie in die Staats-tenderbulletin mag insluit); en -
- (b) die inligting in 'n openbare advertensie vervat, moet insluit --
  - (i) die sluitingsdatum vir die indien van tenders, wat nie minder as 30 dae mag wees nie in die geval van transaksies bo R3 miljoen (BTW ingesluit), of wat langtermyn van aard is, of 14 dae in enige ander geval, vanaf die datum waarop die advertensie in 'n koerant geplaas word, onderhewig aan sub-paragraaf (2) van hierdie beleid; en -
  - (ii) 'n verklaring dat tenders alleen ingedien mag word op die tender-dokumentasie deur die munisipaliteit of munisipale liggaam voorsien.
  - (iii) datum, tyd en plek van enige terrein vergadering of inligting sessie.

(2) Die rekenpligtige beampte mag 'n sluitingsdatum vir die indien van tenders bepaal wat minder is as die vereiste 30 of 14 dae, maar alleenlik indien sodanige korter tydperk geregverdig kan word op grond van dringendheid of nood of enige uitsonderlike geval waar dit onprakties of onmoontlik is om die amptelike verkrygings-proses te volg.

(3) Ingediende tenders moet verseël wees.

(4) Waar tenders in elektroniese formaat versoek is, moet sodanige tenders aangevul word deur verseëelde harde kopieë.

### **Prosedure vir hantering, opening en aantekening van tenders**

23. Die rekenpligtige beampte moet die prosedures vir die hantering, opening en aantekening van tenders vasstel, wat moet voorskryf dat:

- (a) Tenders--
  - (i) alleen in die openbaar geopen moet word; en -
  - (ii) moet op dieselfde tydstip geopen word en so gou doenlik na verstryking van die tydperk vir die indien van tenders;
  - (iii) alle tenders wat na die sluitingsdatum en tyd ontvang is moet nie in ag geneem word nie en so gou moontlik onoopgemaak teruggestuur word.
- (b) Enige tenderaar of lid van die publiek het die reg om te versoek dat die name van die tenderaars wat tenders betyds ingedien het uitgelees word en, indien prakties, ook elke tenderaar se totale tender-prys; en -

- (c) Geen inligting wat verband hou met die tenderaars of suksesvolle tenderaar mag geopenbaar word nie, anders as die in sub paragraaf (b)
- (d) Die rekenpligtige beampte moet –
  - (i) alle tenders wat betyds ontvang is in 'n register aanteken;
  - (ii) die register beskikbaar stel vir openbare besigtiging; en -
  - (iii) die aantekeninge in die register en die tender-uitslae op die webwerf publiseer.

#### **Onderhandelings met voorkeurtenderaars**

24. (1) Die rekenpligtige beampte mag die finale bepalings van 'n kontrak onderhandel met tenderaars wat geïdentifiseer is as voorkeurtenderaars deur middel van 'n mededingende tender-proses, op voorwaarde dat sodanige onderhandeling –

- (a) nie enige voorkeurtenderaar 'n tweede of onbillike geleentheid toelaat nie;
  - (b) nie tot nadeel van enige ander tenderaar is nie; en -
  - (c) nie sal lei na 'n hoër prys as die tender soos ingedien nie.
- (2) Notules van sodanige onderhandelinge moet vir rekord-doeleindes gehou word.

#### **Twee-fase tender-proses**

25. (1) 'n Twee-fase tender-proses word toegelaat vir –

- (a) groot ingewikkelde projekte;
  - (b) projekte waar dit ongewens mag wees om volledig gedetailleerde tegniese spesifikasies voor te berei; of -
  - (c) langtermyn projekte met 'n tydsduur van meer as drie jaar.
- (2) In die eerste fase behoort tegniese voorstelle op konsepsionele ontwerp- of prestasie-spesifikasies gevra te word, onderhewig aan tegniese so wel as kommersiële verduidelikings en aanpassings.
- (3) In die tweede fase behoort finale tegniese voorstelle en tenders met vasgestelde pryse gevra te word.

#### **Komiteestelsel vir mededingende tenders**

26. (1) Die rekenpligtige beampte is verplig om –

- (a) 'n komiteestelsel vir mededingende tenders saam te stel bestaande uit ten minste –
    - (i) 'n tenderspesifikasiekomitee;
    - (ii) 'n tenderevaluasiekomitee; en -
    - (iii) 'n tender-beoordelingskomitee;
  - (b) die lede van elke komitee aan te stel, met inagneming van artikel 117 van die Wet; en -
  - (c) voorsiening maak vir 'n bywonings- of toesighoudende proses deur 'n onpartydige of onafhanklike waarnemer, aangestel deur die rekenpligtige beampte, wanneer dit gepas is om billikheid te verseker en deursigtigheid te bevorder.
- (2) Die komiteestelsel moet nie strydig wees met –
- (a) paragrawe 27, 28 en 29 van hierdie beleid; en -
  - (b) enige ander toepaslike wetgewing nie.



(3) Die rekenpligtige beampte mag die komiteestelsel toepas by formeel geskrewe prys-kwotasies.

### **Tenderspesifikasiekomitees**

**27.** (1) Die tenderspesifikasiekomitee moet die spesifikasies vir elke verkryging van goedere of dienste deur die munisipaliteit of munisipale liggaam opstel.

(2) Spesifikasies –

- (a) moet opgestel word op 'n onbevooroordeelde manier om alle moontlike verskaffers toe te laat om hul goedere of dienste aan te bied;
  - (b) moet enige aanvaarde standarde in ag neem soos dié uitgereik deur Standaarde Suid-Afrika, die Internasionale Standaardeorganisasie, of 'n gesag deur die Suid-Afrikaanse Nasionale Akkrediterings-stelsel geakkrediteer of erken waaraan die toerusting of materiaal of vakmanskap behoort te voldoen;
  - (c) moet, waar moontlik, beskryf word in terme van vereiste prestasie eerder as van beskrywende ontwerp-eienskappe;
  - (d) mag nie handels-versperrings in kontrak-vereistes in die vorms van spesifikasies, planne, tekeninge, ontwerpe, toetsing en toets metodes, verpakking, bemarking of etikettering van insiklikheid-sertifikasie instel nie;
  - (e) mag nie verwys na enige spesifieke handelsmerk, naam, patent, ontwerp, tipe, spesifieke oorsprong of produsent tensy daar geen ander voldoende noukeurige of verstaanbare manier is om die eienskappe van die werk te beskryf nie, in welke geval sodanige verwysing deur die woorde "soortgelyk" gepaard moet gaan;
  - (f) moet elke spesifieke doelwit uitwys waarvoor punte kragtens die punte-stelsel soos uiteengesit in die Voorkeur-Verkrygingsregulasies, 2011, toegeken mag word; en - (Addendum A)
  - (g) moet, voor die bekendmaking van die uitnodiging vir tenders kragtens paragraaf 22 van hierdie beleid, deur die rekenpligtige beampte goedgekeur word.
- (3) Die tenderspesifikasiekomitee moet bestaan uit een of meer amptenare van die munisipaliteit of munisipale liggaam, verkieslik die bestuurder verantwoordelik vir die betrokke funksie, en mag, wanneer paslik, eksterne spesialis-raadgewers insluit.

(4) Geen persoon, raadgewer of korporatiewe liggaam met die tenderspesifikasiekomitee gemoeid, of direkteur van so 'n korporatiewe liggaam, mag vir enige gevolglike kontrakte tender nie.

### **Tenderevaluasiekomitees**

**28.** (1) Die tenderevaluasiekomitee moet –

- (a) tenders evalueer in ooreenstemming met –
    - (i) die spesifikasies vir 'n spesifieke verkryging; en -
    - (i) die puntestelsel uiteengesit kragtens paragraaf 27(2)(f). (Addendum A)
  - (b) elke tenderaar se vermoë om die kontrak uit te voer evalueer;
  - (c) nagaan, ten opsigte van die aanbevole tenderaar, of munisipale belasting en munisipale diensteheffings nie agterstallig is nie, en;
  - (d) 'n verslag en aanbevelings aangaande die toekenning van die tender of enige ander verwante aanleentheid aan die beoordelingskomitee indien.
- (2) Die tenderevaluasiekomitee moet so vër moontlik bestaan uit –
- (a) amptenare uit departemente wat die goedere of dienste benodig; en -

- (b) ten minste een voorsieningskanaal-bestuurspraktisyn van die munisipaliteit.
- (c) indien dit 'n komplekse produk/diens is mag daar van 'n eksterne persoon se dienste gebruik gemaak word om as raadgewer/adviseur op te tree

### **Tender-beoordelingskomitees**

#### **29. (1) Die tender-beoordelingskomitees moet –**

- (a) oorweging skenk aan die verslag en aanbevelings van die tenderevaluasiekomitee; en -
- (b) óf –
  - (i) afhangende van sy delegasies, 'n finale toekenning maak of 'n aanbeveling maak aan die rekenpligtige beampte om die finale toekenning te maak; of -
  - (ii) 'n ander aanbeveling maak aan die rekenpligtige beampte hoe om met die verwante verkryging voort te gaan.
- (2) Die tender-beoordelingskomitee moet bestaan uit ten minste vier senior bestuurders van die munisipaliteit of munisipale liggaam, wat moet insluit –
  - (i) die hoof finansiële beampte of, indien die hoof finansiële beampte nie beskikbaar is nie, 'n ander bestuurder in die begroting- en tesourie-kantoor wat direk aan die hoof finansiële beampte rapporteer en deur die hoof finansiële beampte aangewys is; en -
  - (ii) ten minste een senior voorsieningskanaal-bestuurspraktisyn wat 'n amptenaar van die munisipaliteit is; en -
  - (iii) 'n tegniese deskundige in die betrokke gebied wat 'n amptenaar is, indien so 'n deskundige bestaan.
- (3) Die rekenpligtige beampte moet die voorsitter van die komitee aanstel. Indien die voorsitter afwesig is van 'n vergadering, moet die komiteede wat aanwesig is een van hulle verkies om op die vergadering voor te sit.
- (4) Nóg 'n lid van 'n tenderevaluasiekomitee, nóg 'n raadgewer of persoon wat die evaluasiekomitee assisteer, mag 'n lid wees van 'n tender-beoordelingskomitee.
- (5) (a) Indien die tender-beoordelingskomitee besluit om 'n tender toe te ken anders as die een wat deur die evaluasiekomitee aanbeveel is, moet die tender-beoordelingskomitee, voordat die tender toegeken word –
  - (i) nagaan, ten opsigte van die voorkeurtenderaar, of daardie tenderaar se munisipale belasting en munisipale diensteheffings nie agterstallig is nie, en;
  - (ii) die rekenpligtige beampte in kennis stel.
- (b) Die rekenpligtige beampte mag –
  - (i) na behoorlike oorweging van die redes vir die afwyking, die besluit van die tender-beoordelingskomitee waarna verwys word in paragraaf (a) bekrachtig of afkeur; en -
  - (ii) indien die besluit van die tender-beoordelingskomitee afgekeur word, die besluit van die beoordelingskomitee na daardie komitee terugverwys vir her-oorweging.
- (6) Die rekenpligtige beampte mag te enige stadium van 'n tenderproses, enige aanbeveling gemaak deur die evaluasiekomitee of die beoordelingskomitee na daardie komitee terugverwys vir heroorweging van die aanbeveling.
- (7) Die rekenpligtige beampte moet artikel 114 van die Wet binne 10 werksdae nakom.

### **Verkryging van bankdienste**

#### **30. (1) Bankdienste –**

- (a) moet verkry word deur middel van mededingende tenders;

- (b) moet ooreenstem met artikel 7 of 85 van die Wet; en -
- (c) mag nie vir 'n tydperk van meer as vyf jaar op 'n keer wees nie.
- (2) Die proses om 'n kontrak vir bankdienste te verkry moet minstens nege maande voor die verstryking van 'n bestaande kontrak begin.
- (3) Die sluitingsdatum vir die indien van tenders mag nie minder wees nie as 60 dae vanaf die datum waarop die advertensie in 'n koerant geplaas is kragtens paragraaf 22(1). Tenders moet beperk word tot banke wat geregistreer is kragtens die Wet op Banke, 1990 in(Wet Nr. 94 van 1990).

#### **Verkryging van IT-verwante goedere of dienste**

31. (1) Die rekenpligtige beampte mag die Staats Inligting-Tegnologie Agentskap (SITA) versoek om te help met die verkryging van IT-verwante goedere of dienste deur middel van 'n mededingende tenderproses.

(2) Albei partye moet 'n geskrewe ooreenkoms aangaan om die dienste wat gelewer word deur, en die betalings wat gemaak moet word aan, SITA te reguleer.

(3) Die rekenpligtige beampte moet SITA in kennis stel, saam met 'n motivering, van die IT-behoeftes indien -

- (a) die transaksiewaarde van IT-verwante goedere of dienste in enige finansiële jaar benodig R50 miljoen (BTW ingesluit) sal oorskry, of -
- (b) die transaksiewaarde van 'n kontrak verkry te word, hetsy vir een of meer jare, R50 miljoen (BTW ingesluit) sal oorskry.

(4) Indien SITA kommentaar lewer oor die voorlegging en die munisipaliteit met sodanige kommentaar verskil, moet die kommentaar en die redes waarom sodanige kommentaar verwerp of nie gevolg word nie ingedien word by die raad, die Nasionale Tesourie, die toepaslike Provinsiale Tesourie en die Ouditeur-Generaal.

#### **Verkryging van goedere en dienste onder kontrakte aangegaan deur ander staatsorgane**

32. (1) Die rekenpligtige beampte mag goedere of dienste verkry onder 'n kontrak wat aangegaan is deur 'n ander staatsorgaan, maar alleen indien -

- (a) die kontrak aangegaan is deur daardie ander staatsorgaan deur middel van 'n mededingende tenderproses van toepassing op daardie staatsorgaan;
- (b) daar geen rede bestaan om te glo dat sodanige kontrak nie geldiglik verkry was nie;
- (c) daar bewysbare kortings of voordele bestaan om so te doen; en -
- (d) dat ander staatsorgane en die verskaffer skriftelik tot sodanige verkryging ingewillig het.

(2) Sub-paragrafe (1)(c) en (d) is nie van toepassing nie indien -

- (a) 'n munisipale liggaam goedere of dienste deur 'n kontrak verkry wat aangegaan is deur sy moeder-munisipaliteit; of -
- (b) die munisipaliteit goedere of dienste deur 'n kontrak verkry wat aangegaan is deur 'n munisipale liggaam waarvan hy die moeder-munisipaliteit is.

#### **Verkryging van goedere wat besondere veiligheids-maatreëls vereis**

33. (1) Die verkryging en berging van goedere in grootmaat (anders as water) wat besondere veiligheids-maatreëls vereis, insluitend gasse en brandstof, behoort waar ookal moontlik vermy te word.

(2) Waar die berging van goedere in grootmaat geregverdig is, moet sodanige regverdiging gebaseer word op gesonde redes, insluitend die totale koste van eienaarskap, koste voordele en omgewings-impak, en moet goedgekeur word deur die rekenpligtige beampte.

#### **Trots SA-Veldtog**

34. Die rekenpligtige beampte moet interne bedryfsprosedures bepaal wat die Trots SA-Veldtog ondersteun tot so 'n mate dat, in gelyke omstandighede, voorkeur gegee word om plaaslike goedere en dienste te verkry vanaf:

- ☐ Eerstens – verskaffers en besighede binne die Sentraal Karoo Distriks Munisipaliteit streek;
- ☐ Tweedens – verskaffers en besighede binne die Wes Kaap Provinsie;
- ☐ Derdens – verskaffers en besighede binne die Republiek van Suid-Afrika

#### **Aanstel van konsultante**

35. (1) Die rekenpligtige beampte mag raadgewende dienste verkry op voorwaarde dat enige Tesourieriglyne in verband met raadgewende dienste in ag geneem word wanneer sodanige verkrygings aangegaan word.

(2) Raadgewende dienste moet verkry word deur middel van mededingende tenders indien –

- (a) die waarde van die kontrak R100 000 (BTW ingesluit) oorskry; of -
- (b) die tydsduur van die kontrak een jaar oorskry.

(3) Bo en behalwe enige vereistes deur hierdie beleid vir mededingende tenders voorgeskryf, moet tenderaars besonderhede verskaf van –

- (a) alle konsuleringsdienste aan 'n staatsorgaan voorsien gedurende die afgelope vyf jaar; en -
- (b) enige soortgelyke konsuleringsdienste aan 'n staatsorgaan voorsien gedurende die afgelope vyf jaar.

(4) Die rekenpligtige beampte moet verseker dat kopiereg in enige dokument opgelewer, en die patentregte of eienaarskap in enige aanleg, masjinerie, ding, stelsel of proses ontwerp of bedink, deur 'n konsultant in die loop van die konsuleringsdiens, by die munisipaliteit gevestig is.

#### **Afwyking van, en bekragtiging van kleiner skendings van verkrygingsprosesse**

36. (1) Die rekenpligtige beampte mag –

- (a) afsien van die amptelike verkrygingsprosesse deur hierdie beleid geskep en enige vereiste goedere of dienste deur enige geskikte proses, wat direkte onderhandelings mag insluit, verkry, maar alleen –
  - (i) in 'n nood-toestand;
  - (ii) Indien sodanige goedere of dienste alleen deur 'n enkele verskaffer vervaardig of verkrygbaar is;
  - (iii) vir die verkryging van besondere kunswerke of geskiedkundige voorwerpe waar spesifikasies moeilik is om op te stel;
  - (iv) verkryging van diere vir dieretuine en/of natuur- en wildreservate; of -
  - (v) in enige ander uitsonderlike geval waar dit onprakties of onmoontlik is om die amptelike verkrygingsprosesse te volg; en -
- (b) enige kleiner skendings van die verkrygingsprosesse deur 'n amptenaar of komitee wat optree kragtens gedelegeerde magte of pligte, wat geheel en al van 'n tegniese aard is, bekragtig.

(2) Die rekenpligtige beampte moet die redes vir enige afwykings ingevolge sub-paragrafe (1)(a) en (b) van hierdie beleid aanteken en hulle by die eersvolgende raadsvergadering rapporteer en insluit as 'n nota tot die jaarlikse finansiële state.

(3) Sub-paragraaf (2) is nie van toepassing op die verkryging van goedere en dienste in paragraaf 11(2) van hierdie beleid beoog nie.

### **Ongevraagde tenders**

37. (1) In ooreenstemming met artikel 113 van die Wet is daar geen verpligting om ongevraagde tenders wat ontvang is buite 'n normale tenderproses te oorweeg nie.

(2) Die rekenpligtige beampte mag besluit, kragtens artikel 113(2) van die Wet, om 'n ongevraagde tender te oorweeg, alleen indien –

- (a) die produk of diens ingevolge die tender aangebied 'n bewysbare of beproefde unieke nuwe konsep is;
- (b) die produk of diens uitsonderlik voordelig sal wees, of uitsonderlike koste-voordele het;
- (c) die persoon wat die tender gemaak het die enigste verskaffer van die produk of diens is; en -
- (d) die redes om nie deur die normale tenderprosesse te gaan nie as deeglik beskou word deur die rekenpligtige beampte.

(3) Indien die rekenpligtige beampte besluit om 'n ongevraagde tender te oorweeg wat met sub-paragraaf (2) van hierdie beleid ooreenstem, moet die besluit openbaar gemaak word ingevolge artikel 21A van die Wet op Munisipale Stelsels, tesame met –

- (a) redes waarom die tender nie oop behoort te wees aan ander mededingers nie;
- (b) 'n uiteensetting van die moontlike voordele indien die ongevraagde tender aangeneem sou word; en -
- (c) 'n uitnodiging aan die publiek of ander moontlike verskaffers om hul kommentaar binne 30 dae vanaf die kennisgewing in te dien.

(4) Alle geskrewe kommentaar ontvang ingevolge sub-paragraaf (3), insluitend enige reaksie vanaf die ongevraagde tenderaar, moet ingedien word by die Nasionale Tesourie en die toepaslike Provinsiale Tesourie vir kommentaar.

(5) Die beoordelingskomitee moet die ongevraagde tender oorweeg en mag die tender toeken of 'n aanbeveling maak aan die rekenpligtige beampte, afhangende sy delegasies.

(6) 'n Vergadering van die beoordelingskomitee om 'n ongevraagde tender te oorweeg moet oop wees vir die publiek.

(7) Wanneer die aangeleentheid oorweeg word, moet die beoordelingskomitee in ag neem –

- (a) enige kommentaar deur die publiek ingedien; en -
- (b) enige geskrewe kommentaar en aanbevelings van die Nasionale Tesourie of die toepaslike Provinsiale Tesourie.

(8) Indien enige aanbevelings van die Nasionale Tesourie of Provinsiale Tesourie verwerp of nie gevolg word nie, moet die rekenpligtige beampte aan die Ouditeur-Generaal, die toepaslike Provinsiale Tesourie en die Nasionale Tesourie, die redes indien waarom daardie aanbevelings verwerp of nie gevolg is nie.

(9) Sodanige indiening moet gedoen word binne sewe dae na die besluit oor die toekenning van die ongevraagde tender geneem is, maar geen kontrak wat die munisipaliteit aan die tender verbind mag aangegaan word nie binne 30 dae van die indiening nie.

### **Bekamping van misbruik van die voorsieningskanaal-bestuurstelsel**

38. Die rekenpligtige beampte moet maatreëls skep vir die bekamping van misbruik van die voorsieningskanaal-bestuurstelsel, wat die volgende moet stipuleer:

(1) Die rekenpligtige beampte moet–

- (a) alle redelike stappe neem om misbruik van die voorsieningskanaal-bestuurstelsel te voorkom;
- (b) enige aantygings teen 'n amptenaar of ander rolspeler van bedrog, korrupsie, partydigheid, onbillike of onreëlmatige praktyke of versuim om hierdie voorsieningskanaal-bestuursbeleid na te kom, te ondersoek, en wanneer geregverdig –
  - (i) toepaslike stappe te neem teen sodanige amptenaar of ander rolspeler; of -
  - (ii) enige beweerde kriminele gedrag aan die Suid-Afrikaanse Polisie diens rapporteer;
- (c) die Nasionale Tesourie se databasis nagaan voor die toekenning van enige kontrak om te verseker dat geen aanbevole tenderaar, of enige van sy direkteure, 'n gelyste persoon is wat verbied is om handel te dryf met die openbare sektor nie;
- (d) enige tender vanaf 'n tenderaar verwerp –
  - (i) indien enige munisipale belasting of munisipale diensfooie deur daardie tenderaar of enige van sy direkteure aan die munisipaliteit, of aan enige ander munisipaliteit of munisipale liggaam, agterstallig is vir meer as drie maande; of
  - (ii) wie gedurende die afgelope vyf jaar versuim het om bevredigend op te tree op 'n vorige kontrak met die munisipaliteit of enige ander staatsorgaan nadat geskrewe kennisgewing aan daardie tenderaar gegee is dat prestasie onbevredigend was;
- (e) 'n aanbeveling vir die toekenning van 'n kontrak verwerp indien die aanbevole tenderaar, of enige van sy direkteure, 'n korrupte of bedrieglike daad gepleeg het by mededinging om die spesifieke kontrak;
- (f) 'n kontrak wat aan 'n persoon toegeken is kanselleer indien –
  - (i) die persoon enige korrupte of bedrieglike daad gedurende die tenderproses of die uitvoering van die kontrak gepleeg het; of -
  - (ii) 'n amptenaar of ander rolspeler enige korrupte of bedrieglike daad gepleeg het gedurende die tenderproses of die uitvoering van die kontrak, wat daardie persoon bevoordeel het; en
- (g) die tender van enige tenderaar verwerp indien daardie tenderaar of enige van sy direkteure –
  - (i) die voorsieningskanaal-bestuurstelsel van die munisipaliteit misbruik het of enige onbehoorlike gedrag gepleeg het teenoor sodanige stelsel;
  - (ii) skuldig bevind is vir bedrog of korrupsie gedurende die afgelope vyf jaar;
  - (iii) opsetlik versuim, verloën of nagelaat het om te voldoen aan enige goewernments-, munisipale of ander openbare sektor kontrak gedurende die afgelope vyf jaar; of -
  - (iv) gelys is in die Register vir Tender-Wanpresteerders kragtens artikel 29 van die Wet op Voorkoming en Bekamping van Korrupte Dade (Nr. 12 van 2004).

(2) Die rekenpligtige beampte moet die Nasionale Tesourie en die toepaslike Provinsiale Tesourie skriftelik in kennis stel van enige optrede geneem kragtens sub-paragrafe (1)(b)(ii), (e) of (f) van hierdie beleid.

### **Deel 3: Logistiek-, Verkope-, Risiko- en Prestasiebestuur**

#### **Logistiek-bestuur**

39. Die rekenpligtige beampte moet vestig en te implementeer 'n effektiewe stelsel van logistieke bestuur, wat moet insluit –

- (a) die monitering van die bestedingspatrone tipes of klasse van goedere en dienste gehou, waar prakties moontlik, die kodering van items om te verseker dat elke item het 'n unieke nommer;
- (b) die opstel van voorraadvlakke, wat die volgende insluit minimum en maksimum vlakke en lei  
tye                      waar                      goedere                      in                      voorraad                      geplaas                      word;
- (c) die plasing van die handleiding of elektroniese bestellings vir alle ander verkrygings as dié uit  
die

- kleinkas;
- (d) voordat betaling goedgekeur is, sertifisering deur die verantwoordelike beampte dat die goedere en dienste ontvang word of gelewer op tyd en is in ooreenstemming met die volgorde, die algemene voorwaardes van die kontrak en spesifikasies, waar van toepassing is en dat die prys is soos aangehaal in ingevolge 'n kontrak;
- (e) toepaslike standarde van interne beheer en pakhuis bestuur om te verseker dat goedere in die winkels geplaas word, is veilig en slegs gebruik word vir die doel waarvoor dit aangekoop is;
- (f) die gereelde nagaan om te verseker dat alle bates, insluitend amptelike voertuie behoorlik bestuur word, toepaslik in stand gehou en slegs vir amptelike doeleindes gebruik word;
- (g) monitering en hersiening van die prestasie van die verskaffers aanbod om nakoming van die spesifikasies en die kontrak voorwaardes vir sekere goedere of dienste.

### Verkope-bestuur

40. (1) Die rekenpligtige beampte moet 'n effektiewe stelsel van verkope-bestuur vir die beskikking of verhuring van bates instel, insluitend onbruikbare, oortollige of verouderde bates, onderhewig aan artikels 14 en 90 van die Wet, wat die volgende moet stipuleer:

(2) Die beskikking van bates moet—

- (a) plaasvind deur middel van een van die volgende metodes —
- (i) die bate aan 'n ander staatsorgaan oorplaas kragtens 'n voorsiening van die Wet wat die oorplasing van bates in staat stel;
  - (ii) die bate aan 'n ander staatsorgaan oorplaas teen markverwante waarde of, wanneer paslik, kosteloos;
  - (iii) die bate verkoop deur middel van 'n mededingende tenderproses of veiling; of -
  - (iv) die bate vernietig;
- (b) op voorwaarde dat —
- (i) vaste eiendom alleen teen markverwante pryse verkoop mag word behalwe wanneer die openbare belang of die hulpkreet van die armes andersins vereis;
  - (ii) roerende bates mag verkoop word óf deur middel van geskrewe pryskwotasies, 'n mededingende tenderproses, veiling óf teen markverwante pryse, welke ook die mees voordelig is;
  - (iii) in geval van die kostelose beskikking van rekenaar-toerusting, moet die provinsiale departement van onderwys eers genader word om binne 30 dae aan te dui of enige van die plaaslike skole belangstel in die toerusting; en -
  - (iv) in geval van die beskikking van vuurwapens, die Nasionale Konvensionele Wapen-Beheer Komitee enige verkoping of skenking van vuurwapens aan enige persoon of instelling binne of buite die Republiek goedgekeur het;
- (c) verder verseker dat —
- (i) vaste eiendom verhuur word teen markverwante koerse behalwe wanneer die openbare belang of die hulpkreet van die armes andersins vereis; en -
  - (ii) alle fooie, kostes, belastinge, tariewe of ander kostes verwant aan die verhuring van vaste eiendom jaarliks hersien word; en -
- (d) verseker dat waar bates ingeruil word vir ander bates, die hoogste moontlike inruil-prys onderhandel word.

### Risiko-bestuur

41. (1) Die rekenpligtige beampte moet 'n effektiewe stelsel van risiko-bestuur skep vir die uitkenning, oorweging en vermyding van moontlike risiko's in die voorsieningskanaal-bestuurstelsel.

(2) Risiko-bestuur moet insluit —

- (a) die uitkenning van risiko's deur 'n geval-op-geval basis;
- (b) die toewysing van risiko's aan die mees geskikte party om sodanige risiko's te bestuur;
- (c) aanvaarding van die koste van die risiko waar die koste om die risiko te verplaas groter is as om dit te behou;
- (d) die bestuur van risiko's op 'n pro-aktiewe manier en die voorsiening van voldoende dekking vir oorblywende risiko's; en -
- (e) die toekenning van relatiewe risiko's na die kontrakterende partye deur duidelike en ondubbelsinnige kontrakdokumentasie.

#### **Prestasie-bestuur**

42. Die rekenpligtige beampte moet 'n effektiewe interne monitorings-stelsel skep om te bepaal, op die basis van 'n terugwerkende ontleding, of die gemagtigde voorsieningskanaal-bestuursprosesse gevolg is en of die gewenste doelwitte bereik is.

#### **Deel 4: Ander aangeleenthede**

##### **Verbod op toekennings aan persone wie se belastingaangeleenthede nie in orde is nie**

43. (1) Die rekenpligtige beampte moet verseker dat, ongeag die verkrygingsproses wat gevolg is, geen toekenning bo R30 000 gemaak word aan 'n persoon wie se belastingaangeleenthede nie as in orde verklaar is deur die Suid-Afrikaanse Inkomstediens nie.
- (2) Alvorens 'n toekenning aan 'n persoon gemaak word moet die rekenpligtige beampte eers nagaan by SAID of daardie persoon se belastingaangeleenthede in orde is.
- (3) Indien SAID nie binne 7 dae reageer nie mag aangeneem word dat sodanige persoon se belastingaangeleenthede ten behoeve van sub-paragraaf (1) in orde is.

##### **Verbod op toekenning aan persone in diens van die staat**

44. Die rekenpligtige beampte moet verseker dat, ongeag die verkrygingsproses wat gevolg is, geen toekenning mag gemaak word nie aan 'n persoon –
- (a) wie in die diens van die staat is; of -
  - (b) indien daardie persoon nie 'n natuurlike persoon is nie, waarvan enige direkteur, bestuurder, hoof-aandeelhouer of belanghouer 'n persoon is in diens van die staat; of -
  - (c) 'n persoon wie 'n raadgewer of konsultant is wat aan die munisipaliteit of munisipale liggaam gekontrakteer is.

##### **Toekennings aan naverwante familieleden van persone in diens van die staat**

45. Die notas tot die jaarlikse finansiële state moet besonderhede verklaar van enige toekenning van meer as R2000 aan 'n persoon wie 'n eggenoot, kind of ouer van 'n persoon in diens van die staat is, of binne die afgelope twaalf maande in diens van die staat was, insluitend –

- (a) die naam van daardie persoon;
- (b) die hoedanigheid waarin daardie persoon in diens van die staat is of was; en -



- (c) die bedrag van die toekenning.

#### **Etiese standaarde**

46. (1) 'n Etiese standaard-kode word hierdeur bepaal, in ooreenstemming met sub-paragraaf (2), vir amptenare en ander rolspelers in die voorsieningskanaal-bestuurstelsel om –

- (a) onderlinge vertroue en agting; en -  
(b) 'n omgewing waar besigheid met integriteit en op 'n billike en redelike manier gevoer kan word, te bevorder.

(2) 'n Amptenaar of ander rolspeler in die implementering van die voorsieningskanaal-bestuursbeleid betrokke –

- (a) moet alle verskaffers en moontlike verskaffers gelyk behandel;  
(b) mag nie sy of haar betrekking vir private gewin gebruik nie, of om 'n ander persoon onbehoorlik te bevoordeel nie;  
(c) mag nie enige beloning, geskenk, guns, gasvryheid of ander voordeel direk of indirek aanvaar nie, insluitend aan enige naverwante familielid, vennoot of medewerker van daardie persoon, met 'n waarde van meer as R350;  
(d) ongeag sub-paragraaf (2)(c), moet besonderhede van enige beloning, geskenk, guns, gasvryheid of ander voordeel aan daardie persoon beloof, aangebied of toegestaan of aan enige naverwante familielid, vennoot of assosiaat van daardie persoon, aan die rekenpligtige beampte verklaar;  
(e) moet aan die rekenpligtige beampte besonderhede verklaar van enige private of besigheidsbelange wat daardie persoon, of enige naverwante familielid, vennoot of assosiaat, mag hê in enige voorgestelde verkrygings- of verkope-proses van, of in enige toekenning van 'n kontrak deur, die munisipaliteit;  
(f) moet onmiddellik onttrek van deelname op enige manier wat ook al in 'n verkrygings- of verkope-proses of in die toekenning van 'n kontrak waarin daardie persoon, of enige naverwante familielid, vennoot of assosiaat, enige private of besigheidsbelang het;  
(g) moet stip wees in sy of haar gebruik van eiendom wat aan die munisipaliteit behoort;  
(h) moet die rekenpligtige beampte bystaan by die bekamping van bedrog, korrupsie, partydigheid en onbillike en onreëlmatige praktyke in die voorsieningskanaal-bestuurstelsel; en -  
(i) moet aan die rekenpligtige beampte enige beweerde onreëlmatige gedrag in die voorsieningskanaal-bestuurstelsel waarvan daardie persoon mag bewus word, rapporteer, insluitend –  
(i) enige beweerde bedrog, korrupsie, partydigheid of onbillike gedrag;  
(ii) enige beweerde oortreding van paragraaf 47(1) van hierdie beleid; of -  
(iii) enige beweerde skending van hierdie etiese standaard-kode.

(3) Verklarings kragtens sub-paragrafe (2)(d) en (e) -

- (a) moet aangeteken word in 'n register wat die rekenpligtige beampte vir hierdie doel moet aanhou;  
(b) deur die rekenpligtige beampte moet aan die burgemeester van die munisipaliteit gemaak word, wat moet verseker dat sodanige verklarings in die register aangeteken is.

(4) Die Nasionale Tesourie se gedragskode moet ook in ag geneem word deur voorsieningskanaal-bestuurspraktisyns en ander rolspelers wat betrokke is by voorsieningskanaal-bestuur.

(5) Die munisipaliteit aanvaar hiermee die Nasionale Tesourie se gedragskode vir voorsieningskanaal-bestuurspraktisyns en ander rolspelers wat betrokke is by voorsieningskanaal-bestuur. Sodanige gedragskode is bindend op alle amptenare en ander rolspelers wat betrokke is by die implementering van die voorsieningskanaal-bestuursbeleid van die munisipaliteit of munisipale liggaam.

(6) 'n Oortreding van die gedragskode deur die munisipaliteit aangeneem moet hanteer word in ooreenstemming met skedule 67(1)(h) en Hoofstuk 15 van die Stelselwet.

#### **Gunswerwingsvoordele, belonings, geskenke en gunste aan munisipaliteite, amptenare en ander rolspelers**

**47. (1)** Geen persoon wat 'n verskaffer of voornemende verskaffer van goedere of dienste is, of 'n ontvanger of voornemende ontvanger is van beskikte goedere of goedere geskik te word, mag of direk of deur 'n verteenwoordiger of tussenganger beloop, aanbied of toestaan –

- (a) enige gunswerwingsvoordele of beloning aan die munisipaliteit vir of in verbinding met die toekenning van 'n kontrak; of –
- (b) enige beloning, geskenk, guns of gasvryheid aan –
  - (i) enige amptenaar; of –
  - (ii) enige ander rolspeler betrokke by die implementering van die voorsieningskanaal-bestuursbeleid nie.

(2) Die rekenpligtige beampte moet stiptelik enige beweerde oortreding van sub-paragraaf (1) aan die Nasionale Tesourie rapporteer vir oorweging of die skuldige persoon, en enige verteenwoordiger of tussenganger deur wie sodanige persoon beweer is om op te getree het, behoort gelys te word in die Nasionale Tesourie se databasis van persone wat verbied is om handel te dryf met die openbare sektor.

(3) Sub-paragraaf (1) is nie van toepassing op geskenke van minder as R350 in waarde nie.

#### **Borgskappe**

**48.** Die rekenpligtige beampte moet stiptelik aan die Nasionale Tesourie en die toepaslike Provinsiale Tesourie verklaar enige beloofde borgskap, aangebied of toegestaan, of direk of deur 'n verteenwoordiger of tussenganger, deur enige persoon wat –

- (a) 'n verskaffer of voornemende verskaffer van goedere of dienste is; of
- (b) 'n ontvanger of voornemende ontvanger van beskikte goedere of goedere beskik te word.

#### **Besware en klagtes**

**49.** Persone gegrief deur besluite geneem of optredes gedoen met die implementering van hierdie voorsieningskanaal-bestuurstelsel, mag 'n geskrewe beswaar of klagte teen die besluit of optrede indien binne 14 dae vanaf die besluit of optrede.

#### **Oplossing van dispute, besware, klagtes en vraagpunte**

**50. (1)** Die rekenpligtige beampte moet 'n onafhanklike en onpartydige persoon, nie direk betrokke by die voorsieningskanaal-bestuursprosesse nie, aanstel –

- (a) om by die oplossing van dispute tussen die munisipaliteit en ander persone te help aangaande –
  - (i) enige besluite geneem of optredes gedoen met die implementering van die voorsieningskanaal-bestuurstelsel; of –
  - (ii) enige aangeleentheid voortspruitend uit 'n kontrak toegeken in die loop van die voorsieningskanaal-bestuurstelsel; of
- (b) om aandag te gee aan besware, klagtes of vraagpunte aangaande enige sodanige besluite of optredes of enige aangeleenthede voortspruitend uit sodanige kontrak.

(2) Die rekenpligtige beampte, of ander amptenaar deur die rekenpligtige beampte aangewys, is verantwoordelik om die aangestelde persoon te help om sy of haar funksies effektief uit te oefen.

(3) Die aangestelde persoon moet –

- (a) streef om alle dispute, besware, klagtes of vraagpunte ontvang stiptelik op te los, en
- (b) maandelikse verslae aan die rekenpligtige beampte indien oor alle dispute, besware, klagtes of vraagpunte ontvang, waaraan aandag gegee is of opgelos.

(4) 'n Dispuut, beswaar, klagte of vraagpunt mag verwys word na die toepaslike Provinsiale Tesourie indien

- (a) die dispuut, beswaar, klagte of vraagpunt nie binne 60 dae opgelos is nie; of -
- (b) geen reaksie binne 60 dae ontvang is nie vanaf die munisipaliteit.

(5) Indien die Provinsiale Tesourie die aangeleentheid nie- of nie kan oplos nie, mag die dispuut, beswaar, klagte of vraagpunt na die Nasionale Tesourie vir oplossing verwys word.

(6) Hierdie paragraaf moet nie gelees word as om 'n persoon se regte om 'n hof ter eniger tyd te nader, te affekteer nie.

#### **Kontrakte wat voorsiening maak vir vergoeding op omset gegrond**

51. Indien 'n diensverskaffer namens 'n munisipaliteit optree om enige diens te verskaf of optree as 'n kollektant van fooie, diensgelde of belasting en die vergoeding aan die diensverskaffer bepaal word as 'n ooreengekome persentasie van omset vir die diens of die ingevorderde bedrag, moet die kontrak tussen die diensverskaffer en die munisipaliteit stipuleer dat –

- (a) 'n perk gesit word op die vergoeding aan die diensverskaffer betaalbaar; en -
- (b) dat sodanige vergoeding prestasie-gebaseerd moet wees.

#### **Inwerkingtreding**

52. Hierdie beleid tree in werking op die ..... waarop dit deur die Raad aanvaar is.

## **ADDENDUM A**

### **REVISED PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT REGULATIONS OF 2011**

The following is a summary of the amendments made by the new Regulations that comes into effect on 7 December 2011:

#### **1. Points Systems**

- 1.1 The 80/20 points system will be applicable to all bids above R30 000 up to a value of R1m (previously R500 000).
- 1.2 The 80/20 points system may be applied to bids with a value less than R30 000 if and when appropriate.
- 1.3 The 90/10 points system will be applicable to bids with a value of R1m and more (previously R500 000).
- 1.4 Only points for price will be calculated and the preference points will be added to the points for price according to the Contribution Level of the bidder (see point 2.5).

#### **2. BEE Certificates**

##### **2.1 General**

- 2.1.1 Bidders must submit with their bids either the original or a certified copy of their B-BBEE Status Level Verification Certificate.
- 2.1.2 Bidders who do not submit a Certificate do not qualify for preference points, but should not be disqualified from the bidding process.
- 2.1.3 Certificates must be obtained from Verification Agencies accredited by the South African National Accreditation System (SANAS).
- 2.1.4 Certificates can also be obtained from registered auditors approved by the Independent Regulatory Board of Auditors (IRBA).

##### **2.2 Exempted Micro Enterprises (EME's)**

- 2.2.1 An EME is an enterprise with an annual total revenue of R5m or less, with the exception of the Tourism Charter where the amount is R2,5m and the Construction Charter where the amount is R1,5m.
- 2.2.2 EME's will be deemed to have a level 4 contributor status, except where they are MORE than 50% black owned, in which case they will be level 3 contributors.

- 2.2.3 An EME do not have to submit a Certificate, but can obtain one from a Verification Agency accredited by SANAS.
- 2.2.4 The Accounting Officer (in terms of Section 60(4) of the Closed Corporation Act, 69 of 1984) or their auditor, registered by the IRBA, can submit proof of EME status.

### **2.3 Trusts, Consortiums, Joint Ventures, Public Entities and Tertiary Institutions**

- 2.3.1 Trusts, Consortiums and Joints Ventures must obtain and submit a consolidated Certificate for every separate bid.
- 2.3.2 Public Entities and Tertiary Institutions must also submit certificates with their bids.

### **2.4 Verification Agencies**

- 2.4.1 Confirmation of the validity of a Certificate can be done by tracing the name of the issuing Verification Agency to the list of all SANAS Accredited Agencies.
- 2.4.2 The list is accessible on [www.sanas.co.za/directory/bbbee\\_default.php](http://www.sanas.co.za/directory/bbbee_default.php)
- 2.4.3 Each Certificate should have the following information on the face of the Certificate:
  - The name and physical location of the measured entity
  - The registration number and, where applicable, the VAT number of the measured entity
  - The date issued and date of expiry
  - The Certificate number for identification and reference
  - The scorecard that was used (for example EME or Generic)
  - The name and/or logo of the Verification Agency
  - The SANAS logo
  - The Certificate must be signed by the authorised person from the Verification Agency
  - The B-BBEE Status Level of Contribution obtained by the measured entity

### **2.5 Contribution Level**

<b>B-BBEE Status Level of Contributor</b>	<b>Number of Points (90/10 system)</b>	<b>Number of Points (80/20 system)</b>
1	10	20
2	9	18

3	8	16
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non-compliant Contributor	0	0

### **3. Local Production and Content**

3.1 Bids in respect of designated sectors (still to be determined) must contain or have a specific bidding condition or special condition of contract that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

3.2 This must not be confused with points that were previously allocated for locality.

### **4. Sub-contracting**

4.1 A bidder must not be awarded the points claimed for his BEE status level of contribution if it is indicated in his bid documents that he is going to sub-contract more than 25% of the value of the contract to an enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

4.2 If the bidder did not indicate sub-contracting in his bid document, he is not allowed to sub-contract more than 25% of the value of the contract to an enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

### **5. Evaluation of Bids that Scored Equal Points**

5.1 In the event of two bids scoring the same name of points, the successful bid must be the one that scored the highest points for B-BBEE.

5.2 If they are still equal, the successful bidder must be the one scoring the highest points for functionality (if applicable).

5.3 If they are still equal, the award must be decided by the drawing of lots.

### **6. Cancellation and Re-Invitation of Bids**

6.1 In the application of the 80/20 points system, if ALL bids received exceed R1m, the bid must be cancelled and re-invited. If one or more of the acceptable bids received are within the R1m threshold, all the bids must be evaluated on the 80/20 points system.

- 6.2 In the application of the 90/10 points system, if ALL bids received are below R1m, the bid must be cancelled and re-invited. If one or more of the acceptable bids received are more than the R1m thresholds, all the bids must be evaluated on the 90/10 points system.
- 6.3 An Accounting Officer may, prior to the award of a bid, cancel the bid:
- Due to changed circumstances, there is no longer a need for the services, works or goods requested.
  - If funds are no longer available to cover the envisaged expenditure.
  - No acceptable bids are received.
- 6.4 The decision to cancel a bid in terms of the above must be published in the Government Tender Bulletin or the media in which the original tender was advertised.

## **7. Awarding of Contracts**

- 7.1 The contract must be awarded to the bidder that scored the highest number of points.
- 7.2 In exceptional circumstances a contract may, on reasonable and justifiable ground, be awarded to the bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law.

## **8. Sale and Letting of Assets**

- 8.1 The Preferential Procurement Regulations 2011 is NOT applicable to the sale and letting of assets.
- 8.2 In instances where assets are sold or leased by means of a bidding process, the bid must be awarded to the bid with the highest price.

## **9. Transitional Arrangements**

- 9.1 If a bid was invited before or on 6 December 2011, the bid must be evaluated and adjudicated in terms of the evaluation criteria prescribed in the Preferential Procurement Regulations of 2001 and the terms and conditions of the bid.
- 9.2 All bids advertised from 7 December 2011 and onwards must be dealt with in terms of the 2011 Regulations.
- 9.3 Bids advertised before 7 December 2011 must be evaluated and awarded as soon as possible, but not later than the expiry date of the validity date of the bid. The extension of the validity date of such a bid is not allowed.

## **10. General**

- 10.1 Definitions are as contained in the B-BBEE Act and Codes of Good Practice, e.g. no HDI's, but "Black people".
- 10.2 No points can be given anymore for locality and other specific goals (e.g. females and being disabled) as was done in the past.

- 10.3 National Treasury will send out Communication with regards to the new Regulations before 7 December 2011. It will include new bidding document forms that will replace the MBD6 form as well.
- 10.4 The Regulations is applicable to all organs of the State.
- 10.5 The Regulations will come into effect on 7 December 2011.

## **ADDENDUM B**

Die volgende inligting moet deur die voornemende verskaffer gegee word om as geakkrediteerde op die verskaffers databasis te verskyn.

Die naam van die Besigheid

Posadres

Kontaknommers (Landlyn of selfoon nommer), faks, e-pos adres waar moontlik

Die kontakpersoon

posbenaming van die kontakpersoon

Die tipe besigheid

Identifikasie of registrasie nommer van die besigheid

Belasting op Toegevoegde Waarde registrasienommer (waar moontlik)

Inkomste Belasting Verwysingsnommer

Belasting Klaring Sertifikaat aanheg

BBBEE sertifikaat aanheg

Kommoditeit of Diens wat gelewer word

Munisipale Rekeningnommer en ernommer

Bankbesonderhede

Samestelling van die besigheid

Verklaring van belange

Verklaring dat die inligting verstrek waar en juis is

Handtekening

Hoedanigheid van die persoon wie geteken het

Toestemming dat die finansiële posisie en die vermoë van die verskaffer om die kontrak uit te voer ge-  
ondersoek word voor die aanbieding aanvaar word

Geldwaarde van kontarkte waarin die verskaffer belangstel

Maksimum hoeveelhede wat verskaf kan word

Gereeldheid van afleweringstye



## ADDENDUM C:

### DELEGASIES

Waarde (BTW ingesluit)	Klassifikasie	Magtiging van Order	Evaluasie en Toekening van kwotasies/ Tenderdokumente	Onder steunende Dokumente
0 - 200	Kontant Aankope (Blikkie by Kassiere)	Departementshoof of die persoon wat waarneem		Beskrywende Kwitansie / Kasregister rol aan getekende Kontantbewys aanheg.
201 - 2000	Klein Aankope.	Departementshoof of die persoon wat waarneem		Heg faktuur aan bestelling, geteken deur Direkteur.
2001 - 5000	Drie Mondelinge Kwotasies Teken aan op kwotasie vorm.	Departementshoof of die persoon wat waarneem	Departementshoof of die persoon wat waarneem/ Hoof finansiële Beampte	Teken aan op vorm by wie is gevra en wat die bedrae was. Heg aan bestelling. Geteken deur Direkteur. Nie 3 – seksie 16
5001 - 30 000	Drie Geskrewe Prys kwotasies	Departementshoof of die persoon wat waarneem	Departementshoof of die persoon wat waarneem/ Hoof finansiële Beampte	Drie formele kwotasies/ bewyse dat drie kwotasie gevra is, aan bestelling geheg. Geteken deur Direkteur. Nie 3 – seksie 17
30 001-200 000	Formele kwotasies moet Geadverteer word.	Departementshoof of die persoon wat waarneem of 'n persoon van die SCM kantoor	Departementshoof of die persoon wat waarneem of 'n persoon van die SCM kantoor	Advertensie, evalueering, besluit en Dokumente wat ontvang is alles aan bestelling.
200001- 3 000 000	Mededingende Tenderproses	Tenderspesifikasie komitee of die Rekenpligtige Beampte	Tender Evalueerings en Toekennings komitee	Advertensie, notules en al die tenders Dokumente wat ontvang is.
3 000 000>	Mededingende Tenderproses	Tenderspesifikasie komitee of die Rekenpligtige Beampte	Tender Evalueerings en Toekennings komitee	Advertensie, notules en al die tenders Dokumente wat ontvang is.

- Tenders met 'n waarde van R 1 000 000,00 en minder word op die 80/20 skaal ge-evalueer.
- Tenders met 'n waarde van meer as R 1 000 000,00 word op die 90/10 skaal ge-evalueer.

BLADSY OOP GELAAT

## **ADDENDUM D:**

### **GEDRAGSKODE VIR VOORSIENINGKANAAL BESTUURS AMPTENARE**

Volgens die Regulasies vir Voorsieningskanaal Bestuur wat uitgereik is in terme van 168 van die Wet op Munisipale Finansiële Bestuur word Nasionale Tesourie vereis om 'n gedragskode vir persone betrokke by Voorsieningskanaal Bestuur uit te reik. Hierdie gedragskode moet deur almal betrokke by Voorsieningskanaal bestuur onderhou word. Die doel van die gedragskode is om wedersydse respek en vertroue tussen amptenare te bevorder en om 'n omgewing te skep waar besigheid met integriteit en op 'n regverdige en redelike manier uitgevoer kan word.

#### **1. Algemene Beginsels**

- ❖ Die Suid-Afrikaanse Owerheid verbind homself tot 'n beleid van regverdige handeling en integriteit by die uitvoering van sake. Die posisie van Voorsieningskanaal Bestuurder (VKB) amptenare is dus 'n posisie van vertroue, dit impliseer dat so 'n amtenaar altyd in belang van die publiek sal optree. Amptenare moenie hul pligte so uitvoer dat dit kan lei tot onwettige eie gewin in die vorm van vergoeding, betaling of gunste van enige persoon, voorsiener/kontrakteur, familie of vriende nie.
- ❖ Amptenare moet seker maak dat hulle hul pligte effektief, doeltreffend en met integriteit uitvoer. Verder moet hulle ook verseker dat hul pligte inlyn is met die Relevante wetgewing en Riglyne van Nasionale Tesourie. Hulle moet seker maak dat openbare bronne verantwoordelik geadministreer word.

- ❖ Prakteerders moet regverdig en onpartydig in die uitvoering van hul funksies wees. Hulle moet onder geen omstandighede voorkeur behandeling of onregverdig diskrimineer teen enige groep of individue. Hulle mag nie die mag en outoriteit wat aan hulle oorgedra is misbruik nie.

## 2. Konflik in Belange

'n Amptenare of ander rolspeler betrokke by voorsieningskanaal bestuur-

- (a) moet alle voorsieners en potensiële voorsieners gelyk behandel.
- (b) Mag nie hom/haar posisie vir eie gewin gebruik nie of om 'n ander persoon te bevoordeel nie
- (c) Mag nie belonings, geskenke, gunste, hoflikheid of enige ander voordeel direk of indirek van familieledes, vennoot of assosiaat van die persoon, van waarde R350 of meer aanvaar nie.
- (d) Moet alle inligting rakende belonings, geskenke en enige ander voordele wat belowe, aangebied of gegee is aan die persoon, 'n familielid, vennoot of assosiaat van die persoon, aan die Rekenpligtige Beampte openbaar.
- (e) Moet enige inligting rakende privaat of besigheidsbelang wat die persoon, 'n familielid, vennoot of assosiaat in die voorgename verkryging of wegdoenings proses mag hê, aan die Rekeningpligtige Beampte openbaar.
- (f) Moet onmiddellik enige deelname onttrek, waar so 'n persoon se familielid, vennoot of assosiaat besigheids of privaatbelange

het in 'n verkrygings, wegdoeningsproses of toekenning van 'n kontrak .

- (g) Moet enige besigheids, kommersiële en finansiële belange of aktiwiteite wat geneem is om finansiële gewin te geniet, en wat tot konflik in belange mag lei, aan die Rekenpligtige Beampte openbaar.
- (h) Moenie hom/haarself onder enige finansiële of ander verpligtinge deur buitestaanders laat plaas wat 'n invloed op uitvoering van amptelike pligte mag hê; en

### **3. Verantwoordbaarheid**

- ❖ Amptenare is verantwoordelik vir hul eie besluite en aksies aan die publiek
- ❖ Amptenare moet openbare eiendom gepas gebruik
- ❖ Die rekenpligtige beampte en diegene aan wie hy sy mag delegeer het die outoriteit om die regering tot enige transaksie vir die verkryging van goedere en dienste te verbind.
- ❖ Alle transaksies wat deur 'n amptenaar uitgevoer is, moet op 'n toepaslike en betroubare rekenkundige stelsel opgeneem word. Amptenare mag nie valse of misleidende inligting in die stelsel voer nie.
- ❖ Amptenare moet bystand aan die rekenpligtige beampte verleen om bedrog, korrupsie, gunswerwing, onregverdige en ongereëde praktyke in die voorsieningskanaal bestuur stelsel te bekamp.
- ❖ Amptenare moet enige vermoedelike ongereëde praktyke in die voorsieningskanaal bestuur stelsel waarvan hy/sy bewus is aan die rekenpligtige beampte rapporteer. Insluitend:

(i) Enige vermoedelike bedrog, korrupsie, guns werwing of onregverdige uitvoering

(ii) Enige oortreding van hierdie gedragskode

- ❖ Enige verklaring wat gemaak word moet opgeneem word en in 'n register (wat slegs vir hierdie doeleindes gehou word) geplaas word.

#### **4 Openlikheid**

Amptenare moet so openlik as moontlik wees in al die besluite en aksies wat hulle maak. Hulle moet so ver moontlik redes gee vir hul besluite en inligting slegs weerhou as dit in belang van die publiek is.

#### **5 Vertroulikheid**

- ❖ Alle inligting wat eiendom van die regering of sy voorsieners is moet teen alle tye beskerm word. Geen inligting oor enige tender/kontrak/tenderaar mag bekend gemaak word indien dit inbraak gaan maak op die relevante tenderaar se persoonlike regte.
- ❖ Vertroulike sake in besit van voorsieningskanaal bestuur amptenare moet vertroulik gehou word tensy anders vereis deur: wetgewing, uitvoering van pligte en voorsiening vir die wet.

#### **6. Tender Evaluasie / Toekennings Komitees**

- ❖ Bogenoemde komitees moet voorsieningskanaal bestuur op 'n eerlike, onpartydige, deursigtige, koste-effektiewe en verantwoordelike manier doen maar steeds inlyn met die rekenpligtige beampte se leiding/delegerende mag.

- ❖ Die evaluasie / toekennings komitee kan gemagtig word om met alle sake rakende voorsieningskanaal bestuur te deel asook tender- en kwotasiepryse te finaliseer, mits dit inlyn is met leiding/delegerende mag van rekenpligtige beampte.
- ❖ Die evaluasie / tender komitees moet voorgeskrewe wetgewing, leidinggewing en prosedures wat verband hou met voorsieningskanaal bestuur ken en onderhou om sodoende hul pligte en take effektief en doeltreffend uit te voer.
- ❖ Alle lede van die tender toekennings komitee moet duidelikheid hê oor die vlak van vertroulikheid wat hulle moet handhaaf, en moet bereid wees om hulle finansiële belange jaarliks te verklaar.
- ❖ Geen persoon mag-
  - Inmeng met die voorsieningskanaal bestuur stelsel van 'n organisasie nie, of
  - Geen veranderings en peuter aan tenders na dit reeds ingegee is nie

## 7 Onreëlmatige Praktyke

- ❖ Onreëlmatige praktyke is oneties en onwettig en moet ten alle koste vermy word. Dit sluit die volgende in maar is nie beperk tot:
  1. Voorstelle t.o.v. denkbeeldige laer kwotasies
  2. Verwysings na mededingers wat nie bestaan nie
  3. Uitbuiting van foute in tenders
  4. Ongevraagde tenders vanaf tenderaars wie se name op die Databasis van Nasionale Tesourie verskyn wat nie besigheid met openbare sektor mag doen nie.

Verklaring dat die persoon vertrouwd is met die inhoud van die gedragskode en dat sy/homself daartoe sal verbind en sal hou by die voorgeskrewe prosesse en prosedures en enige afwykings sal rapporteer.



## CENTRAL KAROO DISTRICT MUNICIPALITY

### VIREMENT POLICY

#### 1. PURPOSE

- 1.1 The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.
- 1.2 Section 81(1)(d) of the MFMA states inter alia "that The Chief Financial Officer of the Municipality must advise senior Managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79".
- 1.3 It is the responsibility of each Executive Director of each Directorate to which funds are allocated, to plan and conduct assigned operations so as not to spend more funds than budgeted for and to ensure that funds are utilized effectively and efficiently.
- 1.4 Section 78 (1) of the MFMA states inter alia that "Each Senior Manager of a Municipality and each official of a Municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that in terms of Section 78(1) (b) the financial and other resources of the Municipality are utilized effectively, efficiently, economically and transparently"
- 1.5 No expenditure may be incurred unless provision therefore has been made in the operating and capital budgets. Refer to section 15 of the M.F.M.A. in this regard.

#### 2. DEFINITIONS (CHAPTER 1 OF M.F.M.A.)

##### 2.1 Accounting Officer

- 2.1.1 "(a) in relation to a municipality, means the Municipal official referred to in section 60"

##### 2.2 Adjustment Budget

Means a budget

(a) As described in Section 28 of the M.F.M.A. and

(b) In terms of Part 4 of the Municipal Budget and Reporting Regulations.

##### 2.3 Approved Budget

"Means an annual budget –

2.3.1 (a) approved by a Municipal Council; or

2.3.2 (b) approved by a Provincial or the National Executive following an intervention in terms of section 139 of the constitution, and

includes such an annual budget as revised by an adjustments budget in terms of section 28 and of the Municipal Budget and Reporting Regulations."

2.4 Chief Financial Officer

2.4.1 "means a person designated in terms of section 80(2) (a)".

2.5 Executive Directors

2.5.1 Section 56 of the Systems Act states inter alia that : "Appointment of managers directly accountable to Municipal Managers – (a) a Municipal Council, after consultation with the municipal manager, appoints a manager directly accountable to the Municipal Manager."

2.6 Financial year

2.6.1 Means a year ending on 30 June.

2.7 M.F.M.A Vote

2.7.1 "(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 purpose of the department or functional area concerned."

2.7.2 The definition of "VOTE" for Central Karoo District Municipality is set at the Directorate level.

2.8 Virement

2.8.1 The process of transferring an approved budgetary provision from one operating cost element or capital project to another during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

3. REGULATION ON BUDGET VERSUS EXPENDITURE – M.F.M.A.

3.1 The M.F.M.A. regulates as follows regarding the incurring of expenditure against budgetary provisions.

3.1.1 Section 15 – Appropriation of funds for expenditure

"A Municipality, may except where otherwise provided in the Act, incur expenditure only –

(a) In terms of an approved budget, and

(b) Within the limits of the amounts appropriated for the different votes in the approved budget."

3.1.2 Unauthorised Expenditure (M.F.M.A. Definition)

"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."

3.1.3 Overspending (M.F.M.A. Definition)

- (a) "in relation to the budget of a Municipality, 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, means causing expenditure under that section to exceed the limits in subsection (5) of that section."

3.1.4 Section 71 (1) (g) (iii) states inter alia (i) " The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the Municipality and the relevant provincial treasury a statement in the prescribed format on the state of the Municipality's budget reflected the following particulars for that month and for the financial year up to the end of that month – (g) when necessary, an explanation of – (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the Municipality's approved budget".

#### 4. VIREMENT REQUIREMENTS

- 4.1 A virement represents a flexible mechanism to affect budgetary amendments within a Municipal financial year, and represents the major mechanism to align and take corrective (financial / budgetary) action within a Directorate during a financial year.
- 4.2 To transfer funds from one vote or capital project to another vote or capital project, a saving has to be identified within the monetary limitations of the approved vote or capital project allocations on the respective budgets.
- 4.3 Any budgetary amendments of which the net impact will result in exceeding the approved annual budget allocation for a vote and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per M.F.M.A. section 28)
- 4.4 In terms of Section 17 of the M.F.M.A. a municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.

#### 5. DELEGATIONS

- 5.1 Subject to the further stipulations and conditions in this policy, the authority is delegated to every Director to vire savings of not more than 5% to and from any account, sub-accounts, items, etcetra of the budget.
- 5.2 Virements between votes would require a Council resolution which is confirmed through the Adjustment Budget.

#### 6. OPERATING BUDGET

- 6.1 Virements are not allowed to utilise any special purpose operating budgetary allocations approved by Council and which is specifically mentioned and highlighted as such during the approval of the budget.
- 6.2 Only Council may consider the virements of these funds mentioned in 6.1 above and only after full motivations were provided for these virements.
- 6.3 Salaries, Wages and Allowances

- 6.3.1 Virements to and from Salaries, wages and allowances are not permitted unless approved by council.

- 6.3.2 Any savings identified for the filling of approved vacant posts not budgeted for can only be vired with a Council's Resolution in which the future year's financial impact had also been considered.

#### 6.4 Other Expenditure

- 6.4.1 Virements to and from the following items are not allowed: Bulk purchases; Debt Impairment, Interest Charges; Depreciation, Grants to Individuals, Revenue foregone, Insurance and Vat. And other non-cashed items as determined by the chief financial officer.
- 6.4.2 Virements in respect of expenditure votes financed from grants or any other external source of finance must be approved by Council.

#### 6.5 Revenue

- 6.5.1 No virements are permitted in relation to the Revenue side of the Budget.
- 6.5.2 Revenue amendments are to be adopted via an adjustments Budget.

#### 6.6 Confirmation

The virements of any savings amount is subject to the confirmation of the Accountant.

### 7: CAPITAL BUDGET

- 7.1 Virements with the result in adding 'new' projects to the Capital Budget will not be allowed unless approved by council.
- 7.2 Virements in respect of savings on capital projects will only be permitted if allocated to projects approved as part of the annual or adjustment budgets or the 3 year capital program of the Council.
- 7.3 Budgeted amounts in respect of approved capital projects which are, due to changed circumstances, not executed, can only be vired by Council.

7.4 The only exemption to 7.1 and 7.2 above is where furniture and/or equipment, computer hardware and software (to a maximum value of R50 000) which does not appear on the Capital Budget can be purchased. This authority is delegated to the Municipal Manager and Directors.

7.5 Virements of Conditional Grant funds to purposes outside of that specified in the relevant Conditional Grant framework is not permitted.

7.6 Virements of Capital Projects can only be approved between projects of similar funding sources (e.g. MIG to MIG).

## 8. PROCESS AND ACCOUNTABILITY

8.1 Virements application forms as per annexure A must be completed in accordance with Council's virements policy.

8.2 Completed virements documentation must also to be verified by the Accountant as confirmation of available funds and/or savings.

8.3 Virements approved by the Directors will be reported to Council on a quarterly basis.

### Annexures

Annexure A : Virement Form : Operational Budget and Capital Budget.

# APPLICATION FOR A VIREMENT OF FUNDS

FINANCIAL YEAR: 2010/2011

Transfer the following savings as identified on the budget to the following budget allocations:

[illegible]

**to the Virement Policy as approved by Council.**

NAME	SIGNATURE	DATE

APPROVED BY DIRECTOR:	
NAME	SIGNATURE
	DATE

**PROCESSED BY:**

July:

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **FUNDING AND RESERVE POLICY**

### **(A) POLICY FOR THE CAPITAL REPLACEMENT RESERVE (C.R.R.)**

The following is the policy for the Capital Replacement Reserve (CRR) for Central Karoo District Municipality.

#### **(1) Purpose of the CRR**

It is the policy of Central Karoo District Municipality to establish a Capital Replacement Reserve. The purpose of the CRR is to set aside funds for the financing of property, plant and equipment. The CRR is therefore an asset financing source that represents an alternative to the other funding sources available to municipalities, namely external loans (interest bearing borrowings) and government grants and subsidies.

#### **(2) Contributions to the CRR**

It is the policy of Council to annually make contributions to the CRR to ensure that the CRR remains a capital funding source of the future. The Municipality will determine its future capital financing requirements and endeavour transfer sufficient cash to its CRR in terms of this determination. The Integrated Development Plan, the Municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will need to be taken into account in determining the amount that must be transferred to the CRR.

All cash proceeds on the sale of assets (including the sale of buildings and land) will be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets.

The Council will annually, with the approval of its budget, provide for a contribution from Income to the CRR. The contribution from income is a function of interest received on investments as well as a portion of the income generated from tariff income in respect of depreciation of assets. Annually a contribution equal to the depreciation of that financial year will be contributed from the accumulated surplus to the C.R.R. Every year, with the closure of the Financial records, the Chief Financial Officer can decide on an increased contribution to the CRR if sufficient cash surpluses were generated through savings on expenditure or additional income sources during the year.

The actual final contribution compared to the budgeted amount, must annually be reported to Council.



Similarly the Chief Financial Officer can decide on a lesser amount but only if the cash income from Interest on Investments and Tariffs did not realize as budgeted for.

### **(3) Accounting Requirements**

The balance on the CRR must always be represented by cash.

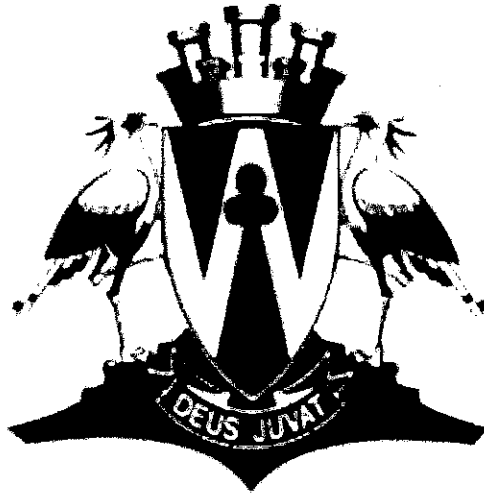
The CRR may only be utilised for purpose of financing of items of property, plant and equipment as specified in GRAP 17 for the Municipality and may not be used for the maintenance of any assets.

Whenever an asset is financed out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into Accumulated Surplus on the Statement of Changes in Net Assets. This is done to accommodate future annual depreciation charges on assets funded from the CRR.

A register must be kept with full details of all the following transactions:

- (a) Land Sales
- (b) Developers Contributions

# **CENTRAL KAROO DISTRICT MUNICIPALITY**



## **FUNDING AND RESERVES POLICY**

***APPROVED BY COUNCIL:  
DATE OF IMPLIMENTATION:***

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## **1. INTRODUCTION AND OBJECTIVE**

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

## **2. SECTION A: FUNDING POLICY**

### **2.1 LEGISLATIVE REQUIREMENTS**

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes. and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are therefore clear in that the budget must be cash-funded i.e. cash receipts inclusive of prior cash surpluses must equal or be more than cash paid.

In determining whether the budget is actually cash-funded and in addition ensuring long-term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

### **2.2 STANDARD OF CARE**

Each functionary in the budgeting and accounting process must do so with judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

### **2.3 STATEMENT OF INTENT**

The municipality will not pass a budget which is not cash-funded or where any of the indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance, provided that the requirements of the MFMA must at all times be adhered to.

The criteria for a cash-funded budget is in accordance with Section 18 of the MFMA, namely:

- (1) An annual budget may only be funded from –
  - (a) realistically anticipated revenues to be collected;
  - (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
  - (c) borrowed funds, but only for the capital budget referred to in section 17 (2).

## **2.4 CASH MANAGEMENT**

Cash must be managed in terms of the municipality's Cash Management and Investment Policy.

## **2.5 DEBT MANAGEMENT**

Debt must be managed in terms of the municipality's Debt Management Policy, together with any requirements in this policy.

## **2.6 FUNDING THE OPERATING BUDGET**

### **2.6.1 INTRODUCTION**

The municipality's objective is that the user of municipal resources must pay for such usage in the period it occurs.

The municipality however, recognises the plight of the poor, and in line with national and provincial objectives and in line with the National Development Plan the municipality commits itself to subsidised services to the poor.

### **2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET**

The following specific principles apply when compiling the budget:

- a) The budget must be cash-funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information and in line with National Treasury guidelines published annually;
- c) Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any possible transfers to or from other municipalities.

For the purpose of the Cash-flow budget any National or Provincial grants that have been re-appropriated for roll-over purposes must

be excluded from the calculation as it must be included in changes in Cash and Cash Equivalents and Payables.

Furthermore, in the budget the total grants recognised as revenue must equal the total expected expenditure from grants, inclusive of capital expenditure and VAT as per directive given in MFMA circular 48.

- d) For the purpose of the Cash flow Budget all rebates and discounts must be deducted from the projected revenue.
- e) Only changes in fair values related to cash may be included in the cash-flow budget. Changes to unamortised discount must be included in the Operating Budget but excluded in the cash-flow budget.
- f) Employee related costs include contributions to non-current and current employee benefits. The cash portion of the employee benefits must be accounted for in an "Employee Benefits Reserve".
- g) Depreciation must be fully budgeted for in the operating budget.

In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash-flow budget.

- h) Contributions to provisions (non-current and current) do not form part of the cash-flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

## **2.7 FUNDING THE CAPITAL BUDGET**

### **2.7.1 INTRODUCTION**

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non-existent.

In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets.

### **2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE**

The capital budget can be funded by way of own contributions, grants, public contributions as well as external loans.

### **Own Contributions**

The capital budget financed from own contributions must primarily be funded from the Capital Replacement Reserve.

Notwithstanding the above the capital budget or portions thereof may also be funded from surplus cash. The allocations of the funding sources from own contributions are determined during the budget process.

### **Grants (Including Public Contributions)**

Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that unusual grant funding does not place an unreasonable burden on the residents for future maintenance costs which may be higher than their ability to pay.

### **External Loans**

The municipality may only raise loans in accordance with Section 46 of the Municipal Finance Management Act, no 56 of 2003.

The Accounting Officer must also put such accounting measures in place to ensure that no unspent portions of loans are utilised for operating purposes.

For budgeting purposes any difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year.

## **2.8 FUNDING COMPLIANCE MEASUREMENT**

### **2.8.1 INTRODUCTION**

The municipality wants to ensure that the budget or adjustments budget complies with the requirements of the MFMA and this policy. For this purpose a set of indicators must be used as part of the budget process and be submitted with the budget. These indicators include all the indicators as recommended by National Treasury as well as reconciliations according to this policy. Any additional indicators recommended by National Treasury in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless any negative indicators can

be reasonably explained and future budget projections address the turn-around of these indicators to within acceptable levels.

#### **2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

A positive Cash and Cash Equivalents position throughout the year is crucial. In addition, the forecasted cash position at year-end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy and attached to this policy as Appendix "A".

#### **2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS**

The overall cash position of the municipality must be sufficient to include:

- unspent conditional grants;
- unspent conditional public contributions;
- unspent borrowings;
- VAT due to SARS;
- secured investments;
- the cash portion of statutory funds such as the Housing Development Fund;
- other working capital requirements; and
- In addition, it must be sufficient to back reserves as approved by the municipality and the portions of provisions as indicated elsewhere in this policy.

#### **2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ("CASH COVERAGE")**

This indicator shows the level of risk should the municipality experience financial stress.

#### **2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS**

It is almost certain that the operating budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a deficit.

In order to ensure a "balanced" budget but excluding such depreciation charges, the depreciation charges may be offset against the net surplus / deficit.

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

#### **2.8.6 CASH COLLECTION % RATE**



The object of the indicator is to establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

The collection rate for calculating the provision for impairment of receivables must be based on past and present experience. Past experience refers to the collection rates of the prior years and present experience refers to the collection rate of the current financial year as from 1 July.

It is not permissible to project a collection rate higher than the rate currently being obtained, even if the municipality recently approved a debt collection policy or implemented additional debt collection measures. Any improvement in collection rates during the budget year may be appropriated in an Adjustment Budget.

#### **2.8.7 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE**

This indicator provides information whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the difference between 100% and the cash collection rate, but other factors such as past performance might have an influence on it. Any difference, however, must be motivated in the budget report.

#### **2.8.8 CAPITAL PAYMENTS AS A PERCENTAGE OF CAPITAL EXPENDITURE**

This indicator provides information as to the timing for payments on capital projects and utilising allowed payment terms.

#### **2.8.9 BORROWING AS A PERCENTAGE OF CAPITAL EXPENDITURE (EXCLUDING GRANTS AND CONTRIBUTIONS)**

This indicator provides information as to compliance with the MFMA in determining borrowing needs.

#### **2.8.10 GRANTS REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE**

The percentage should never be less than 100% and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

#### **2.8.11 CONSUMER DEBTORS CHANGE (CURRENT AND NON - CURRENT)**

The object of the indicator is to determine whether budgeted reductions in outstanding debtors are realistic.

An unacceptable high increase in either current- or non- current debtors' balances should be investigated and acted upon.

#### **2.8.12 REPAIRS AND MAINTENANCE EXPENDITURE LEVEL**

It is of utmost importance that the municipality's Property Plant and Equipment be maintained properly, in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented--or reviewed.

As a general benchmark the maintenance budget should be between 4% and 8% of the municipality's asset values, excluding the roads function.

#### **2.8.13 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL**

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

#### **2.8.14 FINANCIAL PERFORMANCE BUDGET**

Although it is not a legal requirement that the financial performance budget should balance, it only makes management sense that it should balance.

A number of line-items influence the net result of the financial performance budget. It includes capital grant revenue, depreciation charges including those where assets were funded from grants and public contributions, unamortised discounts and gains/losses on the disposal of Property Plant and Equipment. These items need to be taken into consideration in order to establish if the operating budget is realistic and credible.

#### **2.8.15 FINANCIAL POSITION BUDGET**

This indicator provides an overall view of the projected financial position over the periods of the Medium Term Expenditure framework, including movements in inventory and payables.

#### **2.8.16 CASH FLOW BUDGET**

A positive cash-flow is a good indicator of a balanced budget, as well as the ability of the municipality to meet its future commitments.

The cash-flow budget, however, does not include those items such as contributions to the provisions described elsewhere in this policy, the effect of depreciation charges etc, and care must be taken not to let a

projected positive cash inflow lead to additional expenditure requests, without taking the requirements of those items into consideration.

### **3. SECTION B: RESERVES POLICY**

#### **3.1 INTRODUCTION**

Fund accounting historically formed a huge part of municipal finance in the IMFO standards.

Since the municipality changed to General Recognised Accounting Practices (GRAP) fund accounting is no longer allowed.

The municipality, however, recognises the importance of providing to the municipality itself, as well as its creditors, financiers, staff, and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy aims to provide for such measure of protection by creating certain reserves.

#### **3.2 LEGAL REQUIREMENTS**

There are no specific legal requirements for the creation of reserves, except for the Housing Development Fund. The GRAP Standards itself also do not provide for reserves.

However, the GRAP "Framework for the Preparation and Presentation of Financial Statements" states in paragraph 91 that such reserves may be created, but "Fund Accounting" is not allowed and any such reserves must be a "legal" reserve, i.e. created by law or Council Resolution.

#### **3.3 TYPES OF RESERVES**

Reserves can be classified into two main categories being "cash funded reserves" and "non - cash funded reserves".

##### **3.3.1 CASH FUNDED RESERVES**

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

##### **a) Employee benefits reserve**

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

**b) Non-current provisions reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions.

The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

**c) Other statutory reserves**

It may be necessary to create reserves prescribed by law, such as the Housing Development Fund. The Accounting Officer must create such reserves according to the directives in the relevant laws.

**3.3.2 NON – CASH FUNDED RESERVES**

It might be necessary to create non – cash funded reserves for a variety of reasons, including GRAP requirements. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required.

The Accounting Officer is hereby delegated and may also in the discretion of the Accounting Officer, create reserves for future depreciation offsetting, in the absence of a standard similar to IAS 20.

**3.4 ACCOUNTING FOR RESERVES**

**3.4.1 REVALUATION RESERVE**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

**3.4.2 OTHER RESERVES**

The accounting for all other reserves must be processed through the Statement of Financial Performance. The required transfer to or from the reserves must be processed in the Statement of Net Assets to or from the accumulated surplus.

It is a condition of GRAP and this policy that no transactions may be directly appropriated against these reserves.

**3. SECTION C: REVIEW OF THE POLICY**

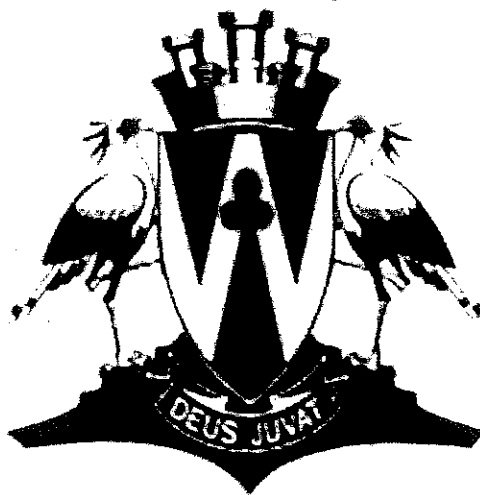
This Funding and Reserves Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council.

Whenever the Minister of Finance or the National Treasury or the Auditor – General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

## APPENDIX A

### RECONCILIATION OF CASH REQUIREMENTS

Cash flow from operating activities	R XX
Add : Depreciation from own funds	R XX
Add : Contribution to current provisions	R XX
Add : Unspent conditional grants	R XX
Add : Unspent public contributions	R XX
Add : Unspent borrowings	R XX
Add : VAT due to SARS	R XX
Add : Secured investments	R XX
Add : Cash portion of Statutory Reserves	R XX
Add : Working Capital Requirements	R XX
= Minimum Cash Surplus Requirements for the year	R XX



**CENTRAL KAROO DISTRICT MUNICIPALITY  
ASSET MANAGEMENT POLICY  
March 2016**

**DRAFT ASSET MANAGEMENT POLICY**  
**MARCH 2016**

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## ASSET MANAGEMENT POLICY FOR THE CENTRAL KAROO DISTRICT MUNICIPALITY

### 1. INTRODUCTION

This Policy for the management of assets has been designed to assist management and officials of the Central Karoo District Municipality (CKDM) with the description of management procedures for Property, Plant and Equipment, Investment Property, Agricultural Assets, Heritage Assets and Intangible Assets. It also should assist with the capacity to differentiate between activities, which are acceptable in terms of general authorization, supervisory responsibilities and limits of authority to the management of assets and functions of the organisation.

This Policy will provide certainty with respect to the handling of asset management procedures undertaken within the organization and will ensure that management and employees understand their respective responsibilities and duties.

The purpose of the Asset Management Policy is to govern the management of assets owned by CKDM (both operationally and financially) to ensure that they are managed, controlled, safeguarded and used in an efficient and effective manner

This Policy replaces all asset management procedures/instructions and memoranda that have been previously issued.

Non-compliance with this policy will result in the following of disciplinary procedures in terms of the Human Resource policy and procedures of the Municipality.

**For the purpose of this policy, assets exclude inventory and monetary assets such as debtors.**

### 2. OBJECTIVE OF THIS POLICY

The objective of this policy is to ensure that assets of the Municipality are properly managed and accounted for by: -

- The accurate recording of essential asset information;
- The accurate recording of asset movements;
- Exercising strict physical controls over all assets;
- Treating the assets correctly in the Municipality's financial statements;
- Providing accurate and meaningful management information;
- Compliance with the Council's accounting policies and Generally Recognised Accounting Practices;
- Adequate insuring of assets;
- Maintenance of Council's assets;
- Ensuring that managers are aware of their responsibilities with regard to the assets;

## DRAFT ASSET MANAGEMENT POLICY

### MARCH 2016

- Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilisation or loss;
- To ensure accuracy of the depreciation charge; and
- To ensure a formal set of procedures that can be implemented to ensure that fixed assets and financial policies are achieved and are in compliance with the MFMA.

### UPDATING THE POLICY

The policy shall be reviewed and updated on an annual basis.

### 3. DEFINITIONS

**“Accounting officer”** means the municipal manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and being the head of administration and accounting officer in terms of section 60 of the Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000).

**“Active market”** is a market where all the following circumstances must be present:

- The assets which are traded in the market are homogenous;
- A willing buyer and willing seller normally exists at any given time; and
- Prices are available to the public.

**“Agricultural Activity”** is the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

**“Agricultural Produce”** is the harvested product of the entity’s biological assets.

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

**“Assets”** are resources controlled by the municipality as a result of past events and from which future economic benefit or service potential are expected to flow. However for the purpose of this policy exclude inventory and other monetary assets.

**“Asset Management”** encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets.

**“Asset Manager”** is any official to whom the responsibility has been delegated and who needs to account for the control, use, physical and financial management of the Municipality’s assets, in terms of the municipality’s standards, policies and procedures and relevant guidelines.

**“Asset register”** is the recording of the information on each asset which supports the effective financial and technical management of the assets and which complies with statutory requirements.

**“A Biological Asset”** is a living animal or plant.

**DRAFT ASSET MANAGEMENT POLICY**  
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**"Biological Transformation"** comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes to a biological asset.

**"Carrying amount"** is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

**"Chief Financial Officer"** means an officer of a municipality designated by the municipal manager to be administratively in charge of the budgetary and treasury functions.

**"Class of property, plant and equipment"** means a grouping of assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

**"Commercial service"** means a service other than a municipal service:

- (a) Provided by a private sector party or organ of state to or for a municipality or municipal entity on a commercial basis; and
- (b) Purchased by a municipality or municipal entity through the supply chain management policy.

**"Community assets"** are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

**"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 or where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of Standards of GRAP.

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

**"Depreciation"** is the systematic allocation of the depreciable amount of an asset over its useful life.

**"Disposal"** in relation to capital assets, includes-

- (a) The deconstruction, demolition or destruction, of the capital assets; or
- (b) Any other process that leads to a loss of ownership of capital assets, excluding transfer of ownership

**"Disposal Management System"** means the system envisioned in regulation 40 of the Municipal Supply Chain Management Regulations, published in General Notice Nr. 868 of 2005.

**"Fair value"** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**"GRAP"** is Standards of Generally Recognised Accounting Practice

**DRAFT ASSET MANAGEMENT POLICY  
MARCH 2016**

**"Head of Department / Senior Manager"** means a manager referred to in Section 56 of the Municipal Systems Act.

**"Heritage Assets"** are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

**"Historical Cost"** means the original purchase price or the cost of acquisition of capital assets at the time of acquiring the asset.

**"Impairment loss" of a cash-generating asset** is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**"Impairment loss" of a non-cash-generating asset** is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

**"Improvement / Rehabilitation"** is an improvement or change to an existing asset to increase its original service potential, for example useful lifetime, capacity, quality and/or functionality.

**"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.

**"Intangible assets"** are identifiable non-monetary assets without physical substance.

**"Investment properties"** are defined as property (land or a building-or part of a building-or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production and supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

**"Manager"** means each senior manager and each municipal official exercising financial management responsibilities.

**"Municipal Valuation"** means the official valuation of an immovable property as reflected in the Municipality's valuation roll.

**"Municipality"** means the Central Karoo District Municipality.

**"Other assets"** are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

**"Property, plant and equipment" (PPE)** are tangible assets that:-

- are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- are expected to be used during more than one period.

**DRAFT ASSET MANAGEMENT POLICY  
MARCH 2016**

**"Realisable Value"** means the amount of cash or cash equivalents that currently can be obtained by transferring the capital assets, less the estimated costs of completion and the estimated costs of transferring the assets.

**"Recoverable amount"** is the higher of a cash-generating asset's net selling price and its future value in use.

**"Recoverable service amount"** is the higher of a non-cash-generating asset's fair value less costs to sell and its future value in use.

**"Residual value"** of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and condition expected at the end of its useful life.

**"Right to utilise, control and manage"** means the right to use, control and manage the capital asset for a period of longer than one calendar month, without giving up ownership of the asset. In other words, where the granting of such a right does not lead to the transfer or permanent disposal of the asset, for example when a right is obtained through a rental contract, rental or rental agreement.

**"Senior Manager"** is a manager as referred to in Section 57 of the Municipal Systems Act (MSA) who is somebody that reports directly to the Municipal Manager.

**"Service Provider" –**

- (a) with regards to a municipal service, means a private sector party or organ of state appointed by the municipality, in terms of Section 8 of the MSA, to perform a municipal service accordance with the Act; or
- (b) with regards to a commercial service, means a private sector party or organ of state appointed by the municipality or municipal entity in terms of the supply chain management policy to perform a commercial service to or for the municipality as an independent contractor.

**"Supply Chain Management Policy"** means the supply chain management policy of the municipality or municipal entity as required in terms of Chapter 11 of the Act.

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

**"Transfer"** means with regards to a capital assets or sub-assets the transfer of ownership as a result of sales and other transactions.

**"Useful life" is:-**

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality's accounting officer.

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**4. STATUTORY AND REGULATORY FRAMEWORK**

The statutory framework of this policy is:

- The Constitution of the Republic of South Africa; 1996;
- Local Government: Municipal Systems Act; 2000;
- Local Government: Municipal Finance Management Act; 2003;
- Regulation No. 878 of 2008;
- Municipal Asset Transfer Regulations No. 31346 of 2008;
- Municipal Regulations on Standard Chart of Accounts No. 37577 of 2014;
- Generally Recognised Accounting Practice (GRAP); and
- Supply Chain Management Regulations No. 868 of 2005.

This document constitutes a policy statement and shall not take precedence over the standards specified by the Accounting Standards Board. The relevant accounting standards include:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 13 - Leases;
- GRAP 16 - Investment Property;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 21 – Impairment of Non-Cash Generating Assets;
- GRAP 26 - Impairment of Cash Generating Assets;
- GRAP 27 - Agriculture
- GRAP 31 - Intangible Assets;
- GRAP 100 - Discontinued Operations; and
- GRAP 103 – Heritage Assets.

Other relevant accounting standards:

- GRAP 12 - Inventory; and
- GRAP 11 – Construction Contracts.

***RELATED POLICIES, PROCESSES AND PROCEDURES***

The following policies, processes and procedures are recommended to be adopted to ensure an effective and efficient asset management system:

- Supply Chain Management Policy
- Delegation of powers
- Payment Policy
- Fleet Management Policy
- Insurance Policy
- Security Policy
- Property portfolio management

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**5. BACKGROUND**

The utilization and management of property, plant and equipment, investment property, intangible assets and agricultural assets is the prime mechanism by which the Municipality can fulfil its constitutional mandates for:-

- Delivery of sustainable services;
- Social and economic development;
- Promoting safe and healthy environments; and
- Fulfilling 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 assets.

The policy for the management of assets deals with the Municipal rules required to ensure the enforcement of appropriate stewardship of assets. Stewardship has two components being the:-

- Financial administration by the Chief Financial Officer; and
- Physical administration by the relevant managers.

Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposals by local government.

Accounting standards have been approved by the Accounting Standards Board to ensure the appropriate financial treatment for property, plant and equipment, investment property, intangible assets and agricultural assets. The requirements of these new accounting standards include:-

- The compilation of asset registers covering all assets controlled by the Municipality.
- Accounting treatment for the acquisition, disposal, recording and depreciation / amortisation of assets.
- The standards to which financial records must be maintained to comply with the new accounting standards.

**6. DELEGATION OF POWERS**

This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as between the Council and the Executive Mayor and the Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.

In accordance with the Local Government: Municipal Finance Management Act (Act 56 of 2003) (MFMA), the Municipal Manager is the accounting officer of the Municipality and therefore all designated officials are accountable to him/her. The Municipal Manager is therefore accountable for all transactions entered into by his/her designates.

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The overall responsibility of asset management lies with the Municipal Manager. However, the day to day handling of assets should be the responsibility of all officials in terms of delegated authority reduced in writing.

## **7. RESPONSABILITY**

### ***MUNICIPAL MANAGER***

The municipal manager of a municipality is responsible for the management of the assets of that municipality in terms of section 63 of the MFMA which prescribes the following:

- 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 (GRAP).
- The Municipality has and maintains a system of internal control of assets, including an asset register.
- Senior managers and their teams comply with this policy.

### ***CHIEF FINANCIAL OFFICER***

The CFO shall be the asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised asset register is maintained.

No amendments, delegations to the asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the Municipality's assets is safeguarded and maintained. He/she may delegate or otherwise assign responsibility for performing these functions but he/she will remain accountable for ensuring that these activities are performed. He/she 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 assigned to him/her 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 Municipality's assets are maintained to standards sufficient to satisfy the requirements of effective management.
- Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets.



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- 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.

### **SENIOR MANAGERS**

The Senior Managers must ensure that:

- Appropriate systems of physical management and control are established and carried out for assets in their area of responsibility.
- The Municipal resources assigned to them are utilized effectively, efficiently, economically and transparently.
- The assets under their control must be properly safeguarded and maintained to the required level and that risk management systems must exist and be maintained.
- Any unauthorized, irregular or fruitless or wasteful utilization and losses resulting from criminal or negligent conduct are prevented.
- Their management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- They are able to justify that their plans, budgets, purchasing, maintenance and disposal decisions for assets optimally achieve the Municipality's strategic objectives.
- The purchase of assets complies with all municipal policies and procedures.
- All moveable property, plant and equipment is duly processed and identified and inspected as being in order before it is received into their stewardship.
- All moveable assets received into their stewardship are appropriately safeguarded against inappropriate use or loss. This will include control over the physical access to these assets and regular stock takes to ensure that no losses have occurred. Any known losses should be immediately reported to the Chief Financial Officer.
- Assets are appropriately utilized for the purpose for which the municipality acquired them.

The senior managers may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring that these activities are performed.

## **8. FINANCIAL MANAGEMENT**

### **Pre-Acquisition Planning**

Before a capital project is included in the budget for approval, the Manager must demonstrate and the Council must consider:

- The projected cost over all the financial years until the project is operational;
- The future operational costs and revenue of the project, including tax and tariff implications;
- The financial sustainability of the project over its life including revenue generation and subsidisation requirements;

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- The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- The inclusion of this capital project in the integrated development plan and future budgets; and
- Alternatives to this capital purchase.

The Chief Financial Officer is accountable to ensure the Manager receives all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

### **Approval to Acquire Property Plant and equipment**

Expenditure can only be incurred on a capital project if:

- The funds have been appropriated in the capital budget,
- The project, including the total cost and funding sources, has been approved by Council,
- The Chief Financial Officer confirms that funding is available for that specific project,
- Any contract that will impose financial obligations beyond two years after the budget year is appropriately disclosed; and
- It complies with the supply chain management policy.

Approval for the acquisition of assets will occur in terms of the Municipality's delegations and powers and payment for such assets shall be made in terms of the Municipality's financial policies and regulations.

### **Funding of capital projects**

Within the municipality's on-going financial, legislative and 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.

Funding source types can include the following:

- External loans;
- Government grants;
- Public contributions and donations;
- Finance leases; and
- Surplus cash.

### **Disposal of Assets**

In terms of Section 14 of the MFMA the municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of an asset needed to provide the minimum level of basic municipal services, unless such asset is obsolete or surplus to requirements or beyond a state of good repair or being replaced

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and provided that the delivery of the minimum level of basic municipal services is not compromised as a result of the disposal of the asset.

The municipality may transfer ownership or otherwise dispose of an asset other than one contemplated above or moveable assets having an estimated carrying value above R50 000, 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 asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset had been sold, transferred or otherwise disposed of.

The disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management and the Supply Chain Management Policy of the municipality and the Asset Transfer Regulations.

The transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these provisions, provided such transfer is being done in accordance with a prescribed regulatory framework.

Every manager shall report in writing to the Chief Financial Officer on 30 April of each financial year on all assets controlled or used by the department concerned which such manager wishes to alienate by public auction or public tender.

The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Council or the Municipal Manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

Once assets are alienated, the Chief Financial Officer shall in terms of GRAP adjust the asset register for the current year and shall, for the ensuing year, delete the asset from the accounting records and the asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the Statement of Financial Performance of the department or vote concerned.

If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the Statement of Financial Performance of the department or vote concerned.

All assets earmarked for write-off must be sold on a public auction or tender once the following steps have been followed:

- a notice was published in the local press of the municipality's intention to sell the asset;

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- in the case of computer equipment the provincial department of education is first approached to determine within 30 days if any of the local schools are interested in the equipment;
- in the case where no such schools are interested in the computer equipment it must be donated to non-profit organisations who will have to motivate why the equipment must be donated to them;
- In the case of an public auction an independent auctioneer was appointed to hold the auction; and
- In the case of a public tender the prescribed tender procedures were followed.

**Loss, theft, destruction or impairment of assets**

Every manager shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the department in question is promptly reported in writing to the Chief Financial Officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Services.

**9. INTERNAL CONTROLS**

**Asset Register**

**Establishment and Management of the Register of Assets**

The Chief Financial Officer will establish and maintain the Register containing key financial data on each item of Property, Plant or Equipment, Investment Property, Intangible Assets and Agricultural Assets that satisfies the criterion for recognition.

The Asset Manager is responsible for establishing and maintaining any additional register or database required to demonstrate their physically management of their assets.

The asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of GRAP and any other accounting requirements which may be prescribed.

**Contents of the Asset Register**

- A unique identification number;
- GIS identification number in the case of infrastructure;
- A short but meaningful description of the each asset;
- mSCOA item;
- Municipal Standard Classification;
- Municipal Vote;
- mSCOA regional indicator;
- Date of acquisition of the date that the asset was ready for use;
- Location of the asset;
- The responsible manager and department(s) or vote(s) within which the asset will be used;
- The title deed number, in the case of fixed property;

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- The erf number, in the case of fixed property;
- The measurement based used (Cost or Fair Value);
- The depreciation methods used;
- The original useful live;
- The revised useful live;
- The revised residual value of the asset;
- Depreciation charged for the period;
- The accumulated depreciation;
- The gross carrying amount;
- Date of acquisition or brought into use;
- Date of disposal (if applicable);
- Increases or the decreases resulting from revaluations (if applicable);
- Date of last revaluation;
- Method of calculating recoverable amount (when impairment tests are required in terms of GRAP);
- Any restrictions on title to the asset;
- Location;
- Source of finance;
- Condition of the asset;
- Method of calculating the recoverable amount (when impairment losses are required in terms of GRAP);
- Strategic purpose and if it is required to provide minimum basic services;
- Responsible Functional Manager/ department/ vote.
- Impairment losses incurred during the financial year (and the reversal of such losses, where applicable); and
- Whether the asset has been used to secure any debt, and – if so - the nature and duration of such security arrangements.

All managers under whose control any fixed asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the fixed asset register, and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

An asset shall be recorded in the assets register as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset. An asset shall remain in the asset register for as long as it is in physical existence. The fact that an asset has been fully depreciated shall not in itself be a reason for deleting it from the register.

Controls relating to the asset register should be sufficient to provide Senior Managers with an accurate, reliable and up-to-date account of assets under their control, in line with the standards specified by the Chief Financial Officer and as required by relevant statutes.

These controls will include:

- Details of the physical management;

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- The recording of all acquisitions, assignments, transfers, losses and disposals of assets;
- Regular stock-takes; and
- Systems audits to confirm the accuracy of the records.

The Chief Financial Officer will establish a system to ensure that each moveable asset bears a unique identification number/ barcode which shall be recorded in the asset register.

Senior managers shall ensure that the asset identification system approved for use by the municipality is scrupulously applied to all assets controlled or used by the department in question.

**10. PHYSICAL CONTROLS AND MANAGEMENT**

**Responsibilities of the Asset Control Section**

The Asset Control Section will undertake an annual stock take of assets as part of the annual reporting process.

**The date of acquisition**

- The date of acquisition of assets 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 an asset is brought into use or when final payment for that item is approved.

**Transfers between Managers**

**Permanent transfers to another Manager**

A Manager may transfer an asset under his control provided that another Senior Manager agrees in writing to accept responsibility for that asset. Copies of such approvals must be submitted to the Financial Services Department.

The Financial Services Department must appropriately amend the Asset register by recording all approved transfers.

The Manager to whom the asset is transferred must assume accountability for the transferred asset from a date specified in the written communication referred to above.

A Manager must ensure that assets are appropriately safeguarded for loss, damage or misuse wherever they are located. Safeguarding includes ensuring reasonable physical restrictions.

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**Relocation or Reassignment of Assets**

A Manager must advise the Chief Financial Officer, in writing, whenever an asset is relocated or reassigned from the location (or base) or cost centre as recorded in the Asset Register.

In the case of assets such as vehicles being utilized in the normal course of operations away from its base such reporting is not necessary.

**Verification of Assets**

Every manager shall at least annually undertake a complete physical verification of all assets under his control.

The results of such verification shall be reported to the Chief Financial Officer in the format as required by the Chief Financial Officer.

The annual verification should be conducted as close to year-end as possible with the verification report reaching the Chief Financial Officer by not later than 30th June.

**Insurance of assets**

The Chief Financial Officer shall ensure that all movable assets should at least be covered against fire and theft and municipal buildings and infrastructure assets should as far as possible be covered against fire and allied perils.

The Accounting Officer shall, after consultation with the Chief Financial Officer recommend to the Council of the municipality, the insured value to be applied to each type of asset: either the carrying value or the replacement value of the asset concerned. Such recommendation shall take due cognizance of the budgetary resources of the municipality.

**11. MANAGEMENT AND OPERATION OF ASSETS**

**Accountability to manage assets**

Each Senior Manager is accountable to ensure that municipal resources assigned to him are utilized effectively, efficiently, economically and transparently. This will entail;

- Developing appropriate management systems, procedures, processes and controls for managing assets;
- Providing accurate, reliable and up to date account of assets under their control; and
- The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the Municipality's strategic objectives.

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**Strategic asset management plan**

Senior Managers need to manage assets under their control to provide the required level of service or economic benefit at the lowest possible long-term cost. To achieve this, the Senior Manager will need to develop strategic asset management plans that cover:-

- Alignment with the Integrated Development Plan;
- Operational guidelines;
- Performance monitoring including benchmarking indicators and measurement;
- Maintenance programmes;
- Renewal, refurbishment and replacements plans;
- Disposal and Rehabilitation plans;
- Operational, financial and capital support requirements; and
- Risk mitigation plans including insurance strategies.

The operational budgets are the short to medium term plan for implementing strategic asset management plans.

**Reporting on Impeding Issues**

Each Functional Manager shall report to the Municipal Manager on issues that will significantly impede the assets capacity to provide the required level of service or economic benefit.

**12. CLASSIFICATIONS, AGGREGATIONS AND COMPONENTS**

**Classification of assets**

Any asset recognized as an asset under this policy will be classified according to nationally recognized categories.

These categories have been specified by the Accounting Standards Board.

All assets should be classified under the following headings in the Asset Register:

**12.1 Property, Plant and Equipment**

- Land (not held as investment assets).
- Infrastructure assets (assets which are part of a network of similar assets).
- Community assets (assets contributing to the general well-being of the community).
- Other assets (ordinary operational assets).

Save for land and buildings other assets shall be classified under the following headings:

- Computer equipment;
- Office equipment;
- Furniture and fittings;



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- Radio Equipment;
- Plant and machinery;
- Motor Vehicles; and
- Emergency Equipment.

**12.2 Investment Property**

**12.3 Intangible Assets**

**12.4 Agricultural Assets**

**12.5 Heritage Assets**

**Optional Treatment for Major Components**

A Manager must, with agreement of the Chief Financial Officer, treat 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 or roof) or its financial parameters.

In agreeing to these treatments the Manager must be satisfied that these components:

- Have significantly a different useful life or usage pattern to the main asset;
- Align with the asset management plans;
- Justify the costs of separate identification;
- Have probable future economic benefits or potential service delivery associated with the asset which will flow to the municipality;
- Is such that the cost of the asset to the municipality can be measured reliably,
- Is such that the municipality has control over the asset; and
- Is such that 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 (i.e. once or twice during the year).

Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it was a separate asset.

**13. ACCOUNTING TREATMENT OF ASSETS**

**Recognition of Assets**

An item of property, plant or 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;

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- The municipality has control over the asset; and
- The asset is expected to be used during more than one financial year.

### **Initial Measurement**

An item of property, plant or equipment that qualifies for recognition as an asset should be initially measured at its "cost of acquisition".

The "cost of acquisition" usually includes the following:

- Cost price;
- Delivery costs;
- Installation costs;
- Professional fees for architects and engineers;
- Site development costs;
- Contractor fees;
- Import duties;
- Non-refundable taxes (Ex VAT on passenger vehicles).

### **Donations or exchanges**

Where an item of property plant or 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 asset register.

### **Carrying amount of assets**

Subsequent to initial recognition as an asset, an item of property, plant or equipment should be carried at its cost of acquisition less any accumulated depreciation and accumulated impairments.

The only exceptions to this rule shall be investment assets as well as heritage assets.

### **Depreciation**

All assets, except land, assets under construction and heritage assets, shall be depreciated – or in the case of intangible assets, amortised.

Depreciation and amortisation are defined as the monetary quantification by which PPE and Intangible Assets are used in the provision of economic benefits or service delivery.

The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.

The depreciable amount of an asset is determined after deducting the residual value of the asset. In practice, the residual value of an asset is often insignificant and, therefore, is immaterial in the calculation of the depreciable amount.

When the benchmark treatment is adopted and the residual value is likely to be significant, the residual value is estimated at the date of acquisition. The estimate is

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based on the residual value prevailing at the date of the estimate for similar property assets that have reached the end of their useful lives and have operated under conditions similar to those under which the property asset will be used.

The depreciation charge for each period will be recognized as an expense against the budget of the relevant Manager.

The depreciation method used shall reflect the pattern in which the assets' future economic benefits or service potential are expected to erode the value of the asset.

A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include

- the straight-line method;
- the diminishing balance method; and
- the units of production method.

Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change.

The diminishing balance method results in a decreasing charge over the useful life.

The units of production method results in a charge based on the expected use or output.

The method of depreciation is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

The preferred depreciation method will be the straight-line method unless otherwise agreed to in writing by the Chief Financial Officer.

Depreciation shall initially be calculated from the day the asset is available for use.

Each manager, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

### **Initial determination of useful life**

Each Manager needs to determine the useful life of a particular item or class of asset through the development of a strategic asset management plan. The determination of useful life should be developed as part of any pre-acquisition planning that would consider, inter alia, the following factors:

- The program that will optimize the expected long term costs of owning that asset;
- Economic obsolescence because it is too expensive to maintain;
- Functional obsolescence because it no longer meets the municipality's needs;
- Technological obsolescence;
- Social obsolescence due to changing demographics; and

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- Legal obsolescence due to statutory constraints.

A schedule of useful lives is included as an annexure. These should be used as a guide only because asset lives experienced may greatly vary from those recommended lives.

In the case of an item of PPE or Intangible Asset which is not listed in this annexure, the relevant head of department in consultation with the Chief Financial Officer/Chief Financial Officer shall determine a useful operating life and shall be guided in determining such useful life by the likely pattern in which the item's economic benefits or service potential will be consumed.

Spares purchased specifically for a particular asset or class of assets at the time of the initial acquisition and which would become redundant if that asset or class was retired or use of that asset or class was discontinued, must be considered to form part of the historical cost of that asset or class. The depreciable amount of such spares must be allocated over the useful life of the asset or class.

**Review of useful life and residual value**

Only the Chief Financial Officer in consultation with the responsible Manager may amend the useful operating life or the residual value assigned to any asset.

The Chief Financial Officer shall amend the useful operating life or the residual value assigned to any asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

If the value of an asset item of PPE has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be written off from the date in which such diminution in value occurs.

Similarly, if an item of PPE has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the item has physically ceased to exist, it shall be written off in the fixed asset register.

In all of the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the item of PPE or intangible asset in question.

The useful life and the residual value of an item of property, plant or equipment must be reviewed annually and if these revised expectations are significantly different from previous estimates, then the depreciation charge for the current and future periods must be adjusted and the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

Additional depreciation not budgeted for as a result of unforeseeable or unavoidable circumstances must be provided for in an adjustments budget and, if such circumstances arises close to the end of the financial year and there will not be time for Council to consider the adjustments before the end of the financial year, may in advance be

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approved by the Mayor in terms of Section 29 of the MFMA, provided that any other provisions of the MFMA be complied with.

### **Review of depreciation method**

The depreciation method applicable to a class of asset must 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 must be changed to reflect the changed pattern.

When such a change in depreciation method is necessary the change must be reflected as a change in the accounting estimate and the depreciation charge for the current and future periods should be adjusted.

### **Subsequent expenditure on assets**

Subsequent expenditure relating to an item of property, plant or equipment that has already been capitalised must be added to the carrying amount of the asset when such expenditure will increase the useful life of the asset or increase the efficiency of the asset or reduce the cost of operating the asset and resulting in financial or service delivery benefits.

All other expenditure must 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 will significantly:

- Increase the life of that asset beyond that stated in the asset register, or
- Increase the quality of service provided by that asset beyond the existing level of service, or
- Increase the quantity of services that asset can provide, or
- Reduce the future assessed costs of maintaining that asset.

Expenditure that is proposed to be capitalized must also conform to recognition criteria for assets and should also be appropriately included in the approved capital budget.

### **Impairment Losses**

The carrying amount of an item or a group of identical items of Property, Plant and Equipment, Intangible Assets and Investment Property should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

The recoverable amount is the amount that the municipality expects to recover from the future use of the asset including its residual value on disposal. When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve.

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The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification works is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

The following may be indicators that an asset is impaired:

- The asset has been damaged;
- The asset has become technologically obsolete;
- The asset remains idle for a considerable period either prior to it being put into use or during its useful life; and
- Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.

The following steps will have to be performed regularly during the year to account for impairment losses:

- Departments will identify and inform CFO – Asset Control of assets that:
  - Are in a state of damage at year end;
  - Are technologically obsolete at year end;
  - Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life;
  - Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts. An example of this is land that is purchased at market value and is to be utilized for subsidized housing developments.
- The recoverable amounts of these assets need to be determined by calculating the net selling price per asset as defined above.
- The impairment loss per asset is the difference between the net selling price and the carrying value of the asset.

### **Subsequent increase in recoverable amount**

A subsequent increase in the recoverable amount of an asset, previously impaired 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.

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**Accounting treatment on Disposal**

An asset should be eliminated from the Asset Register on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery is expected from its existence.

Gains or losses arising from the retirement or disposal of an asset 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 financial records.

**Reinstatement, maintenance and other expenses**

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised. Such expenses may include but need not be limited to import duties, forward cover costs, transportation, installation, assembly and communication costs.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure:-

CAPITAL EXPENDITURE	MAINTENANCE
<ul style="list-style-type: none"><li>• Acquiring a new asset</li><li>• Replacing an existing asset</li><li>• Enhancing an existing asset so that its use is expanded</li><li>• Further developing an existing assets so that its original useful life is extended</li></ul>	<ul style="list-style-type: none"><li>• Restoring an asset so that it can continue to be used for its intended purposes</li><li>• Maintaining an asset so that it can be used for the period for which it was initially intended</li></ul>

**Assets held under leases**

**Finance leases** are leases, which in effect transfer all risks and rewards associated with the ownership of an asset from the lessor to the lessee. Assets held under finance leases are capitalized by the municipality and reflected as such in the Asset Register. It will be capitalized at its leased value at commencement of the lease, which will be the price stated in the lease agreement, or a price calculated after taking into account

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reasonable interest on the payments over the period of the lease. The asset is then depreciated over its expected useful life.

**Operating leases** are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due. Assets held under operating leases are not accounted for in the asset register.

#### **Investment Property**

Investment assets shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's financial statements.

Investment assets comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in a separate section of the assets register in the same manner as other assets.

Investment assets shall not be depreciated, but shall be valued annually at financial statements date to determine their fair market value. Investment assets shall be recorded in the financial statements at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records.

An expert valuer shall be engaged by the municipality to undertake such valuations unless such expertise is available in-house.

#### **Assets treated as inventory**

Any land or buildings owned or acquired by the municipality with the intention of reselling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of reselling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's financial statements.

Such inventories shall, however, be recorded in a separate section of the assets register in the same manner as assets.

#### **Heritage Assets**

Heritage assets shall be accounted for in terms of GRAP 103 and shall not be classified separately for purposes of preparing the municipality's financial statements.

Heritage assets shall be recorded in a separate section of the assets register in the same manner as other assets.

Heritage assets shall not be depreciated.



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If no original costs or fair values are available in the case of one or more or all heritage assets, the Chief Financial Officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the asset register without an indication of the costs or fair value concerned.

For financial statements purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

**Other write-offs of assets**

An asset item, even though fully depreciated, shall be written off only on the recommendation of the manager controlling or using the asset concerned, provided it has been submitted to the Chief Financial Officer for approval.

Every manager shall report to the Chief Financial Officer on 30 April of each financial year on any asset which such manager wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports, and shall submit a recommendation to the Municipal Manager of the municipality on the assets to be written off.

The only reasons for writing off assets, other than the alienation of such assets, shall be the loss, theft, and destruction or material impairment of the item/s in question.

If an item of PPE must be written off as a result of an occurrence out of the control of the municipality, such as malicious damage, theft or destruction, the municipal manager must determine whether a third party or an employee was involved in the loss and take all reasonable steps to recover such loss, including reporting the incident to the South African Police Services and the Auditor General, the insurance as well as institute disciplinary steps against any employee who might have been involved in such incident.

In every instance where a not fully depreciated asset is written off, the Chief Financial Officer shall immediately debit to such department or vote the full carrying value of the asset concerned.

**14. MAINTENANCE**

**Maintenance Plans**

Every Head of Department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council for approval.

If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The manager controlling or using the infrastructure asset in question, shall annually report to the Council of the extent to which the relevant maintenance plan has been

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complied with, and of the likely effect which any non-compliance may have on the useful operating life of the item concerned.

**Deferred Maintenance**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the annual financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall redetermine the useful operating life of the fixed asset in question, if necessary in consultation with the Head of Department controlling or using such item, and shall recalculate the increased annual depreciation expenses accordingly.

**General Maintenance of Assets**

Every Head of Department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 7.13.1 and part 7.13.2 above) are properly maintained and in a manner which will ensure that such item attain their useful operating lives.

**IMPLEMENTATION OF THIS POLICY**

This policy shall be implemented once approved by Council. All future asset management must be done in accordance with this policy.

This policy must be reviewed whenever it is a required in terms of operational- or legislative changes or as a result of audit requirements.

Approve for implementation on 1 July 2016

.....  
XX XXXXXX 2016  
MUNICIPAL MANAGER

**DRAFT ASSET MANAGEMENT POLICY  
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**APPENDIX A**

**SCHEDULE OF EXPECTED USEFUL LIVES OF ASSETS**

	<u>ASSET LIFE</u>		<u>ASSET LIFE</u>
<b>INFRASTRUCTURE ASSETS</b>			
<b>ELECTRICITY:</b>			
Power stations	30	<b>GAS:</b>	
Cooling towers	30	Meters	20
Transformer kiosks	30	Main supply	20
Meters	20	Storage tanks	20
		Supply and reticulation networks	20
Load control equipment	20		
Switchgear	20	<b>SEWERAGE:</b>	
Supply and reticulation networks	20	Sewer mains	20
Main supply	20	Outflow sewers	20
		Sewerage purification works	20
<b>ROADS:</b>		Sewerage pumps	15
Motorways	15	Sludge machines	15
Other roads	10		
Traffic islands	10	<b>PEDESTRAIN MALLS:</b>	
Traffic lights	20	Footways	20
Street lights	25	Kerbing	20
Overhead bridges	30	Paving	20
Stormwater drains	20		
Bridges, subways and culverts	30		
Car parks	20	Taxiways	20
Bus terminals	20	Runways	20
<b>WATER</b>		<b>SECURITY</b>	
Meters	15	Fencing	3
Mains	20	Security systems	5
Rights	20	Access control systems	5
Supply and reticulation networks	20		
Reservoirs and storage tanks	20		
<b>COMMUNITY ASSETS</b>		<b>COMMUNITY ASSETS</b>	
<b>RECREATIONAL FACILITIES</b>		<b>BUILDINGS</b>	
Bowling greens	20	Ambulance stations	30
Tennis courts	20	Aquariums	30
Swimming pools	20	Beach developments	30
	20	Care centres	30

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Golf courses			
Jukskei pitches	20	Cemeteries	30
Outdoor sport facilities	20	Civic theatres and community centres	30
Organ	20	Clinics and hospitals	30
Lakes and dams	20	Game reserves and rest camps	30
Fountains	20	Stadiums and indoor sports	30
Flood lights	20	Museums and galleries	30
		Parks and public conveniences	30
		Recreational centres and zoo	30

**SCHEDULE OF EXPECTED USEFUL LIVES OF ASSETS**

**OTHER ASSETS**

**BUILDINGS**

Abattoirs	30
Asphalt plant	30
Cable stations	30
Caravan Parks	30
Bioscope	30
Compacting stations	30
Hostels for public / tourists	30
Hostels for employees	30
Housing schemes	30
Kilns	30
Laboratories	30
Markets	30
Nurseries	30
Office buildings	30
Old age homes	30
Quarries	30
Tip sites	30
Training centres	30
Transport facilities	30
Workshops and depots	30

**OFFICE EQUIPMENT**

Computer hardware	5
Computer software	3-5
Office machines	3-5
Air conditioners	5-7

**OTHER ASSETS**

**EMERGENCY EQUIPMENT**

Other fire fighting equipment	15
Ambulances	5-10
Fire hoses	5
Emergency lights	5

**MOTOR VEHICLES**

Fire engines	20
Buses	15
Motor vehicles	5-7
Motorcycles	3
Trucks and light delivery vehicles	5-7

**AIRCRAFT**

	15
--	----

**WATERCRAFT**

	15
--	----

**PLANT AND EQUIPMENT**

Graders	10-15
Tractors	10-15
Mechanical horses	10-15
Farm equipment	5
Lawn mowers	2
Compressors	5
Laboratory equipment	5
Radio equipment	5
Firearms	5
Telecommunication equipment	5
General	5

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**FURNITURE AND FITTINGS**

Chairs

7-10 Cable cars 15

Tables and desks

7-10 Irrigation systems 15

Cabinets and cupboards

7-10 Cremators 15

Sundry

7-10 Lathes 15

Machining equipment 15

Conveyors 15

**BINS AND CONTAINERS**

Household refuse bins

5 Feeders 15

Bulk refuse containers

10 Tippers 15

Pulverising mills 15

# CENTRAL KAROO DISTRICT MUNICIPALITY



## RISK POLICY

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## **1. BACKGROUND**

### **1.1 Purpose**

The policy aims to support the objectives of the District Municipality to enable the implementation and maintenance of effective systems to identify and mitigate the risks that threaten the attainment of service delivery and other objectives, and optimise opportunities that enhance institutional performance.

### **1.2 Background or risk management**

#### **1.2.1 Government objectives and Risk Management**

The concept of risk management is not new as the basic principles of service delivery (Batho Pele, 1997) clearly articulate the need for prudent risk management to underpin the achievement of municipal objectives.

Municipalities are bound by constitutional mandates to provide products or services in the interest of the public good. As no institution has the luxury of functioning in a risk-free environment, the District Municipality also encounter risks inherent in producing and delivering such goods and services.

Stakeholders understand this but expect Municipalities to perform without any unnecessary exposure to risk. In other words, stakeholders are averse to value erosion caused by risks that ought to be detected and avoided through prudent management actions.

The Municipal Environment is fraught with unique challenges, such as lack of capacity, lengthy decision lead times, limited resources, competing objectives and infrastructure backlogs to mention a few. Such dynamics place an extra risk management burden on the management of municipalities.

Risk management is a management tool that increases an institutions prospect of success through getting it right the first time and minimising negative outcomes. Value is maximised when institutions set clear and realistic objectives, develop appropriate strategies, understand the intrinsic risks associated therewith and direct resources towards managing such risks on the basis of cost-benefit principles. Within high performing institutions, risk management is a strategic imperative rather than an option.

#### **1.2.2 What is risk?**

There are numerous definitions of risk, which are informed principally by the context in which they are applied.



A generic definition of risk is as follows: "A risk is any threat or event that is currently occurring, or that has a reasonable chance of occurring in the future, which could undermine the institution's pursuit of its goals and objectives."

Risks manifest as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance. Stakeholders expect the District Municipality to anticipate and manage risks in order to eliminate waste and inefficiency, reduce shocks and crises and to continuously improve capacity for delivering on their institutionalised mandates.

### **1.2.3 Risk Management**

Risk management forms part of management's core responsibilities and is an integral part of the internal processes of an institution. It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the institutions service delivery capacity.

When properly executed risk management provides reasonable, but not absolute assurance, that the institution will be successful in achieving its goals and objectives.

### **1.2.4 Enterprise Risk Management**

Enterprise risk management (ERM) is the application of risk management throughout the institution rather than only in selected business areas or disciplines. ERM recognises that risks (including opportunities) are dynamic, often highly interdependent and ought not to be considered and managed in isolation. ERM responds to this challenge by providing a methodology for managing institution-wide risks in a comprehensive and integrated way.

### **1.2.5 Risk Categories**

As the risk environment is so varied and complex it is useful to group potential events into risk categories. By aggregating events horizontally across an institution and vertically within operational units, management develops an understanding of the interrelationship between events, gaining enhanced information as a basis for risk assessment.

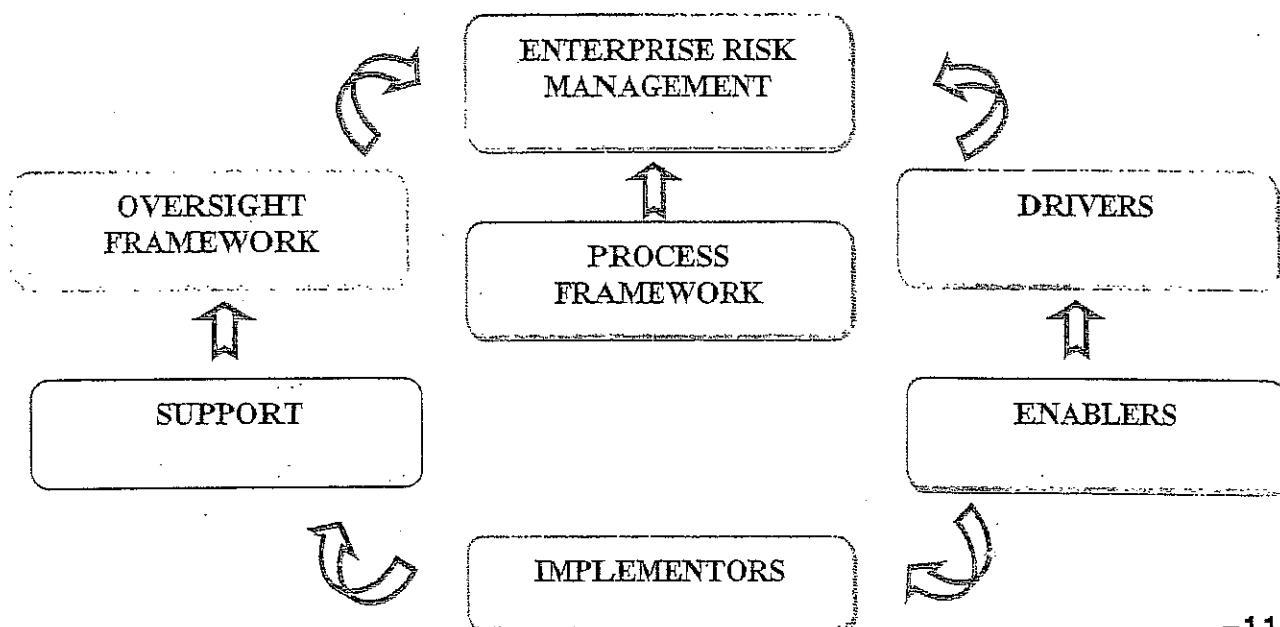
The main categories to group individual risk exposures are as follows:

	Risk Category	Description
Risk type Internal	Human resources	<p>Risks that relate to human resources of an institution. These risks can have an effect on an institution's human capital with regard to:</p> <ul style="list-style-type: none"> <li>• Integrity &amp; Honesty;</li> <li>• Recruitment;</li> <li>• Skills &amp; competence;</li> <li>• Employee wellness;</li> <li>• Employee relations;</li> <li>• Retention; and</li> <li>• Occupational health &amp; safety</li> </ul>
	Knowledge and information management	<p>Risks relating to an institution's management of knowledge and information. In identifying the risks consider the following aspects related to knowledge management:</p> <ul style="list-style-type: none"> <li>• Availability of information;</li> <li>• Stability of the information;</li> <li>• Integrity of information data;</li> <li>• Relevance of the information;</li> <li>• Retention; and Safeguarding</li> </ul>
	Litigation	<p>Risks that the institution might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from:</p> <ul style="list-style-type: none"> <li>• Claims by employees, the public, service providers and other third parties;</li> <li>• Failure by an institution to exercise certain right that are to its advantage</li> </ul>
	Loss \ theft of assets	<p>Risks that an institution might suffer losses due to either theft or loss of an asset of the institution</p>
	Material resources (procurement risk)	<p>Risks relating to an institution's material resources. Possible aspects to consider include:</p> <ul style="list-style-type: none"> <li>• Availability of material;</li> <li>• Costs and means of acquiring \ procuring resources;</li> </ul>

		and <ul style="list-style-type: none"> <li>• The wastage of material resources</li> </ul>
	Information Technology	The risks relating specifically to the institution's IT objectives, infrastructure requirement, etc. Possible considerations could include the following when identifying applicable risks: <ul style="list-style-type: none"> <li>• Security concerns;</li> <li>• Technology availability (uptime)</li> <li>• Applicability of IT infrastructure;</li> <li>• Integration / interface of the systems;</li> <li>• Effectiveness of technology; and</li> <li>• Obsolescence of technology</li> </ul>
	Third party performance	Risks related to an institution's dependence on the performance of a third party. Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with an institution. Non performance could include: <ul style="list-style-type: none"> <li>• Outright failure to perform</li> <li>• Not rendering the required service in time;</li> <li>• Not rendering the correct service; and</li> <li>• Inadequate / poor quality of performance.</li> </ul>
	Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the institution
	Disaster recovery Business continuity	Risks related to an institution's preparedness or absence thereto to disasters that could impact the normal functioning of the institution e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities. Factors to consider include: <ul style="list-style-type: none"> <li>• Disaster management procedures; and</li> <li>• Contingency planning</li> </ul>
	Compliance \ Regulatory	Risks related to the compliance requirements that an

		<p>institution has to meet. Aspects to consider in this regard are:</p> <ul style="list-style-type: none"> <li>• Failure to monitor or enforce compliance;</li> <li>• Monitoring and enforcement mechanisms;</li> <li>• Consequences of non compliance; and</li> <li>• Fines and penalties paid</li> </ul>
	Fraud and corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the institution's assets or resources.
	Financial	<p>Risks encompassing the entire scope of general financial management. Potential factors to consider include:</p> <ul style="list-style-type: none"> <li>• Cash flow adequacy and management thereof;</li> <li>• Financial losses;</li> <li>• Wasteful expenditure;</li> <li>• Budget allocations;</li> <li>• Financial statement integrity;</li> <li>• Revenue collection; and</li> <li>• Increasing operational expenditure.</li> </ul>
	Cultural	<p>Risks relating to an institution's overall culture and control environment. The various factors related to organisational culture include:</p> <ul style="list-style-type: none"> <li>• Communication channels and the effectiveness;</li> <li>• Cultural integration;</li> <li>• Entrenchment of ethics and values;</li> <li>• Goal alignment; and</li> <li>• Management style.</li> </ul>
	Reputation	Factors that could result in the tarnishing of an institution's reputation, public perception and image.
External	<b>Risk category</b>	<b>Description</b>
	Economic Environment	<p>Risks related to the institution's economic environment. Factors to consider include:</p> <ul style="list-style-type: none"> <li>• Inflation;</li> </ul>

		<ul style="list-style-type: none"> <li>• Foreign exchange fluctuations; and</li> <li>• Interest rates</li> </ul>
	Political Environment	<p>Risks emanating from political factors and decisions that have an impact on the institution's mandate and operations. Possible factors to consider include:</p> <ul style="list-style-type: none"> <li>• Political unrest;</li> <li>• Local, Provincial and National elections; and</li> <li>• Changes in office bearers.</li> </ul>
	Social environment	<p>Risks related to the institution's social environment. Possible factors to consider include:</p> <ul style="list-style-type: none"> <li>• Unemployment; and</li> <li>• Migration of workers</li> </ul>
	Natural environment	<p>Risks relating to the institution's natural environment and its impact on normal operations. Consider factors such as:</p> <ul style="list-style-type: none"> <li>• Depletion of natural resources;</li> <li>• Environmental degradation;</li> <li>• Spillage; and</li> <li>• Pollution</li> </ul>
	Technological environment	Risks emanating from the effects of advancements and changes in technology
	Legislative environment	Risks related to the institution's legislative environment e.g. changes in legislation, conflicting legislation.



## **2. PROCESS FRAMEWORK**

### **2.1 Internal Environment**

The District Municipality's internal environment is the foundation of risk management providing discipline and structure. The internal environment influences how strategy and objectives are established, institutional activities are structured, and risks are identified, assessed and acted upon. It influences the design and functioning of control activities, information and communication systems and monitoring activities.

The internal environment comprises many elements including an institution's ethical values, competence and development of personnel, management's operating style and how it assigns authority and responsibility.

The internal environment

- Establishes a philosophy regarding risk management. It recognizes that unexpected as well as expected events may occur. This includes activities like a risk management policy, setting of risk appetite and risk tolerance levels;
- Establishes the institution's risk culture;
- Considers all other aspects of how the institution's actions may affect its risk culture. This typically includes activities such as risk management reporting lines.

### **2.2 Objective Setting**

Objectives must exist before management can identify events potentially, affecting their achievement. Risk management ensures that management has a process in place to both set objectives and align the objectives with the District Municipality's mission / vision / organisational values and is consistent with the District Municipality's risk appetite and tolerance levels. The setting of these objectives is usually completed during the "Strategic planning and budgetary process".

#### **Risk Identification**

The purpose of completing a risk identification exercise is to identify, discuss and document the risks facing the institution. Management almost always know what risks the institution is exposed to but they do not always formally record such risks. This necessitated the development of risk identification guidelines to ensure that institutions manage risk effectively and efficiently.

The risk identification is defined as "the process of determining what, where, when, why and how something could happen". Risk identification is a deliberate and systematic effort to understand and document all of the key risks facing the institution.

The objective of risk identification is to generate a comprehensive list of risks based on those events and circumstances that might enhance, prevent, degrade or delay the achievement of the objectives. This list of risks is then used to guide the analysis, evaluation, treatment and monitoring of key risks.

### **2.3 Risk Assessment**

The risk assessment is a systematic process to understand the nature of risk and determine the level of risk. The risk assessment step aims to develop an understanding of the risk. It provides an input to decisions on whether risk response is necessary and the most appropriate and cost-effective risk response strategies.

The main purpose of risk assessment is to help management to prioritise the identified risks. This enables management to spend more time, effort and resources to manage risks of higher priority than risks with a lower priority.

### **2.4 Risk response strategy**

A key outcome of the risk identification and evaluation process is a detailed list of all key risks including those that require treatment as determined by the overall level of the risk against the institution's risk tolerance levels. However, not all risks will require treatment as some may be accepted by the institution and only require occasional monitoring throughout the period.

All key risk identified should be responded to however not all these risk will require treatment. The risks that fall outside of the institution's risk tolerance levels are those which pose a significant potential impact on the ability of the institution to achieve set objectives and therefore require treatment.

The purpose of responding and treating risks is to minimize or eliminate the potential impact the risk may pose to the achievement of set objectives.

Risk response involves identifying the range of options for responding to risks, assessing these options and the preparation and implementation of response plans.

Risk response may involve a cyclical process of assessing a risk response, deciding that current risk levels are not tolerable, generating new risk response/s, and assessing the effect of that response until a level of risk based on the agreed risk criteria is reached.

## 2.5 Control activities

The institution can respond to risk through various mechanisms such as avoidance, transfer, accepting and managing of the risk. When the institution elects to manage the risk, it will require control activities to support the management of the risk to within tolerable levels.

The risk assessment will have produced a management's perspective of the effectiveness of the existing controls. This would inform management of additional control interventions required to better manage the risk exposures to an acceptable level. Management will be able to consider the best control options from various alternative control types.

- Management controls

These ensure that the institutions structure and systems support the policies, plans and objectives and operate within laws and regulations;

- Administrative controls

These ensure that policies and objectives are delivered in an efficient and effective manner and that losses are minimised.

- Accounting controls

These ensure that resources allocated are accounted for fully and transparently and are properly documented.

- Information Technology controls

These controls relate to IT systems and include access control, controls of system software programmes, business continuity controls and other controls.

Each control type above can be classified as either:

- Preventative controls

These controls are designed to discourage errors or irregularities from occurring e.g. adequate physical security of assets to prevent losses such as theft or damage. If properly enforced, these controls are usually the most effective type of controls;

- Detective controls

These controls are designed to find errors or irregularities after they have occurred e.g. performance of reconciliation procedures to identify errors.



- Corrective controls

These controls usually operate together with detective controls in order to correct identified errors or irregularities.

## 2.6 Information and Communication

Relevant information, properly and timeously communicated to relevant stakeholders, is essential in order to equip such stakeholders to identify, assess and respond to risks.

This may include implementing a risk management reporting system, incident reporting system and emergency risk warning system.

## 2.7 Monitoring

Risk management should be regularly monitored – a process that assesses both the presence and functioning of its components and the quality of their performance over time. Monitoring can be done in two ways:

- Through ongoing activities, or
- Separate evaluations

This will ensure that risk management continues to be applied at all levels and across the institution.

## 3. DRIVERS OF RISK MANAGEMENT

### 3.1 Risk management as a service delivery imperative

Risk management benefits the institution by underpinning and bolstering institutional performance through:

- More efficient, reliable and cost effective delivery of services
- More reliable decisions
- Innovation
- Minimised waste and fraud
- Better value for money through more efficient use of resources
- Improved project and programme management, which provide better outputs and outcomes.

### 3.2 Legal Framework

Municipality and Municipal Entity:

- The Municipal Finance Management Act (Act 56 of 2003)(MFMA);
- Municipal Structures Act (Act 117 of 1998); and
- Municipal Systems Act (Act 32 of 2000).

### 3.3 Accounting Officer

#### 3.3.1 Section 95(i) of the Municipal Finance Management Act (Act 56 of 2003)(MFMA)

Section 95 I(i) of the MFMA requires that;

*"The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all responsible steps to ensure-*

*I that the entity has and maintains effective, efficient and transparent systems-*

- *(i) of financial and risk management and internal control"*

### 3.4 Management, Other Personnel, Chief Risk Officer, Risk Champions

#### 3.4.1 Section 105 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA)

The extension of general responsibilities in terms of Section 105 of the MFMA to other officials of municipal entities implies that responsibility for risk management vests at all levels of management and that it is not limited to only the accounting officer and internal audit.

### 3.5 Internal Auditors

#### 3.5.1 Section 165(2) (a),(b)(iv) of the Municipal Finance Management Act (Act 56 of 2003) (MFMA)

Section 165(2)(a), (b)(iv) of the MFMA requires that:

*"(2) The internal audit unit of a Municipality or municipal entity must*

*(a) prepare a risk based audit plan and an internal audit program for each financial year;*

*(b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to;*

- (iv) *risk and risk management*"

### 3.5.2 Section 2110 – Risk Management of the International standards for the Professional Practice of Internal Auditing

Section 2110 – Risk Management of the International standards for the Professional Practice of Internal Auditing states:

*"The internal audit activity should assist the organisation by identifying and evaluating significant exposures to risk and contributing to the improvements of risk management and control systems*

*2110 A1 – The internal audit activity should monitor and evaluate the effectiveness of the organisation's risk management system*

*2001 A2 – The internal audit activity should evaluate risk exposures relating to the organisation's governance, operations, and information systems regarding the;*

- *Reliability an integrity of financial and operational information;*
- *Effectiveness and efficiency of operations;*
- *Safeguarding of assets;*
- *Compliance with laws, regulations, and contracts*

*2110 C1 – During consulting engagements, internal auditors should address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.*

*2110 C2 – Internal Auditors should incorporate knowledge of risks gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organisation."*

### 3.6 Audit Committee

#### 3.6.1 Section 166(2)(a)(ii) of the Municipal Finance Management Act (Act 56 of 2003) (MFMA)

Section 166(2)(a)(ii) of the MFMA states:

*"(2) An audit committee is an independent advisory body which must-*

*(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the Municipality, or the board of directors, the accounting officer and management staff of the municipal entity, on matters relating to-*

- *(ii) Risk management"*

### **3.7 Corporate governance guidelines**

Municipalities are encouraged to adhere to the principles espoused in the King III Report on corporate Governance (King III) given its promotion of an advanced level of institutional conduct. King III discusses the following risk management principles, which could be of value to the institution:

- Introduction and definition of risk management;
- Responsibility for risk management;
- Assimilating risk to the control environment; and
- Application of risk management.

Similarly, the principles of Batho Pele clearly articulate the need for prudent risk management to underpin government objectives. Batho Pele strives to instil a culture of accountability and caring by public servants. Further objectives of Batho Pele include supporting the government's governance responsibilities, improving results through more informed decision-making, strengthening accountability and enhancing stewardship and transparency, all of which resonate well with the principles of risk management.

## **4. ENABLERS OF RISK MANAGEMENT**

### **4.1 Risk Management Strategy**

The risk management strategy guides the institution on how to implement its risk management policy.

The strategy should articulate a high level plan of action to improve the institutions risk profile. A Risk Management Implementation Plan informed by the institutions most recent risk profile should supplement the risk management strategy.

#### 4.1.1 Developing a risk management strategy

There is one main output from this particular task. It is a document that describes how ongoing risk management will work in the institution.

The risk management strategy should consider the following five main elements:

- Structural configuration

This element describes how the institution will be structured in terms of committees and reporting lines to give effect to the risk management policy

- Accountability, roles and responsibilities

This element describes the authority and delegation of responsibilities to give effect to the risk management policy.

- Risk management activities

This element includes the risk assessment of whether or not key milestones are achieved. More importantly it is also monitoring whether the risk management strategy is producing the sustainable outcomes as originally envisaged

- Assurance activities

This element considers all assurance providers available to the institution and integration of their scope of responsibility.

The risk management strategy should include a risk management implementation plan, in the form of a project plan and record the tasks, names of responsible persons and target dates.

Documenting the risk management implementation plan also overcomes problems with changes in personnel and is a good way of creating risk awareness and promoting a culture of risk management.

#### 4.1.2 Developing a risk management implementation plan

The following steps need to be taken when developing the risk management implementation plan:

- Determine the risk management activities to be performed taking into account the risk profile and related costs versus the benefits

- Resourcing requirements

This element describes the capacity and competence of personnel and the strategy to address capacity gaps. It also addresses the technology and funding requirements to give effect to the risk management strategy

- Determine the sequence of activities and the target implementation dates

The competition for management attention and resources requires that the sequence of activities should be founded on the principles of urgency, quick wins and sustainability of implemented risk mitigation strategies

- Assign ownership for and communicate risk management activities
- Agree on frequency and format of reporting

#### **4.1.3 Fraud Risk Management Policy and Strategy**

A Fraud Prevention Plan represents an important component of the institution's overall risk management strategy and must be addressed by means of a Fraud Risk Management Policy and Fraud Risk Management Strategy

#### **4.2 Basic requirements for effective ERM implementation**

The effectiveness of ERM in delivering the benefits mentioned in paragraph 2.1 is strongly correlated with the investment of the required resources and application of specialist expertise. Listed below are the required resources:

- Competent people;
- Information, tools and technology;
- Funding for ERM

These fundamental requirements are discussed in more detail in the paragraphs below.

##### **4.2.1 Competent personnel**

ERM is affected by various people, sometimes as members of committees, who perform distinctive roles and undertake specific responsibilities. The fact that all people involved in the ERM process must be competent, willing and have the necessary capacity to perform such roles cannot be overemphasised as the vast majority of ERM failures can be attributed to the failure of people rather than the failure of modality.

#### **4.2.2 Organisational structure**

The challenge for the institution is to set up appropriate internal structures and delegate roles and responsibilities in such a way that the individual contributions of all role players in terms of risk management can converge in a systematic and coordinated manner. The organisational structure must facilitate efficient reporting relationships and flow of information between these parties.

#### **4.2.3 Role players and responsibilities**

ERM is most effective when performance expectations are clearly defined, communicated and integrated into performance agreements, and the responsible persons perform to these expectations.

The people responsible for ERM can be categorised into three distinct categories, namely implementers, support and oversight.

### **5. IMPLEMENTORS**

#### **5.1 Accounting Authority / Officer**

The Accounting Authority / Officer are ultimately responsible for risk management within the institution. The Accounting Authority / Officer approve the risk management policy and strategy for the institution and provide leadership and guidance for their implementation. The Accounting Authority / Officer are accountable to the Executive Authority regarding the effectiveness of the risk management process.

#### **5.2 Management**

Management owns the risks, thus taking ownership for management of institutional risks.

Management are accountable to the Accounting Authority / Officer to integrate the principles of risk management into their daily routines to enhance the achievement of their service delivery objectives.

#### **5.3 Other personnel**

Other personnel are accountable to line management to integrate the principles of risk management into their daily routines to enhance the achievement of their functional objectives.

## **6. SUPPORT**

### **6.1 Chief Risk Officer (CRO)**

The CRO provides specialist expertise in providing a comprehensive support service to ensure systematic, uniform and effective enterprise risk management. The CRO plays a vital communication link between operational level management, senior management, risk management committee and other relevant committees. The CRO is thus the custodian of the ERM framework, the co-ordinator of the risk management throughout the institution and the institutional advisor on all risk management matters.

### **6.2 Risk Champions**

A Risk Champion is usually an existing member of the senior management corps within the institution. Risk Champions support the risk management process in specific allocated areas or functions.

A Risk Champion has sufficient authority to drive ERM as required by the institutions risk management policy and strategy. A key part of the Risk Champions responsibility involves escalating instances where the risk management efforts are stifled, such as when individuals try to block ERM initiatives.

The Risk Champion also adds value to the risk management process by providing guidance and support to manage problematic risks and risks of a transversal nature.

## **7. OVERSIGHT**

### **7.1 Parliamentary Oversight Structures**

Parliamentary Oversight Structures are responsible for overseeing the complete spectrum of governance within an institution. This responsibility would therefore also include an interest in the effectiveness of the process of risk management within the institution.

### **7.2 Auditor-General**

The auditor-General is responsible for providing an opinion on:

- The reasonability of the financial statements of the institution;
- Compliance with applicable legislation

In addition the Auditor-General is required to highlight weaknesses or deficiencies in the performance reporting of the institution. In providing an opinion on compliance with legislation the Auditor-General will provide independent assurance on the effectiveness of the risk management activities of the institution.



### **7.3 National & Provincial Treasury**

National & provincial Treasury have specific duties in terms of the MFMA to monitor and assess the systems of risk management in municipal Entities, assist with building risk management, capacity in Municipal Entities and to enforce the PFMA (by implementing the specific prescripts therein pertaining to risk management) in Municipal Entities.

### **7.4 Audit committee**

The Audit Committee is responsible for assisting the Accounting Officer in addressing its oversight requirements of risk management and evaluating and monitoring the institution's performance with regards to risk management.

### **7.5 Risk Management Committee**

The Risk Management Committee is responsible for oversight of the quality, integrity and reliability of the institutions risk management processes and risk responses. An important part of the Committees mandate is to provide recommendations to the Accounting Officer to continuously improve the management of specific risks as well as the overall process of risk management.

### **7.6 Executive Authority**

The Executive Authority is accountable to Council in terms of the achievement of the goals and objectives of the institution. In this context the Executive Authority should take an interest in ERM to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the institution.

### **7.7 Internal Auditors**

Internal Auditors are responsible for providing independent assurance on the effectiveness of risk management in the institution. This involves providing assurance that all material risks have been identified and assessed and that control systems implemented to treat such risks are both adequate and effective

## **8. EVALUATION OF ERM**

Evaluation of the effectiveness of the ERM is vital to ensure that benefits of implementing ERM are realised. Often ERM initiatives fail to add value because of the absence of pre-determined goals and targets and/or the lack of appropriate monitoring.

The value of risk management is evaluated by measuring performance against preset goals, objectives and key performance indicators which are aligned to the overall goals and objectives of the institution.

9. CONTINUOUS IMPROVEMENT

Risk management, like any business activity should be continuously improved. This means that the institution will always strive to move from its current level of risk maturity to a more mature level of risk maturity. This maturity can include improvements in risk governance, risk identification, risk assessment, risk monitoring and risk optimisation.

10. REVIEW OF RISK POLICY

The Committee shall review the risk policy and recommend to Council for approval any amendments that may be required.