



# MAKHADO LOCAL MUNICIPALITY

## PREFERENTIAL PROCUREMENT POLICY, 2023/2024

(Approved by Council Resolution A.76.31.05.23)

*Vision: "A dynamic hub for socio-economic development by 2050"*

*Mission: "To ensure effective utilization of economic resources to address socio-economic imperatives through mining, agriculture and tourism"*

### Values

1. Distinctiveness (Uniqueness, Excellence)
2. Progressiveness (Open Minded)
3. Dynamic (Energetic, Lively, Self-Motivated)
4. Culpability (Accountability and Responsibility)
5. Efficacy (Effectiveness and Efficiency)
6. Adeptness (Expertise and Proficiency)

### Seven (7) Strategic Objectives

1. Promote Community Participation and Environmental Welfare
2. Invest in Local Economy
3. Advance Spatial Planning
4. Invest in Human Capital
5. Good Governance and Administrative Excellence
6. Sound Financial Management and Viability
7. Accessible Basic and Infrastructure Services

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## PREFERENTIAL PROCUREMENT POLICY 2023-2024

The Minister of Finance has, in terms of section 5, read with section 2(1)(b)(i) and (ii) and 2(1)(c), of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), and with effect from 16 January 2023, made the regulations set out in the Schedule.

### SCHEDULE

#### PREFERENTIAL PROCUREMENT POLICY

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2. Application
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4. 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million
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8. Criteria for breaking deadlock in scoring
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##### Definitions

1. In this policy, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Act must bear the meaning so assigned—

**“highest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

**“lowest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;

**“price”** means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

**“Rand value”** means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

**“specific goals”** means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in *Government Gazette* No. 16085 dated 23 November 1994;

**“tender”** means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;

**“tender for income-generating contracts”** means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions; and

**“the Act”** means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

## Application

2. This policy applies to Makhado Local Municipality.

## Identification of preference point system

- 3.(1) An organ of state must, in the tender documents, stipulate—
- (a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7;
  - (b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

(2) If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—

- (a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
- (b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

## 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million

4.(1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

<sup>1</sup> Paragraph (f) of the definition of organ of state in section 1 of the Act includes any other institution or category of institutions included in the definition of “organ of state” in section 239 of the Constitution and recognised by the Minister by notice in the *Government Gazette* as an institution or category of institutions to which the Act applies. Government Notices—  
(a) R. 501 of 8 June 2011 recognises, with effect from 7 December 2011, all public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999; and  
(b) R. 571 of 15 June 2017 recognises, with effect from 17 June 2017, national and provincial government components listed in Schedule 3 to the Public Service Act, 1994 and municipal entities as defined in section 1 of the Local Government Municipal Systems Act, 2000, as institutions to which the Act applies.  
Note should be taken of notices issued from time to time in terms of paragraph (f) of this definition. The application of these Regulations is also subject to applicable exemptions approved in terms of section 3 of the Act.

$$P_s = \frac{(1 - P_t - P_{\min})}{P_{\min}} \times 80$$

Where-

- $P_s$  = Points scored for price of tender under consideration;  $P_t$   
 = Price of tender under consideration; and  
 $P_{\min}$  = Price of lowest acceptable tender.

(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner.

(a) 10 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

(b) 05 points will be awarded to a company that is owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

(c) 05 points will be awarded to a company that is owned by person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

**90/10 preference point system for acquisition of goods or services with Rand value above R50 million**

5.(1) The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = \frac{(1 - P_t - P_{\min})}{P_{\min}} \times 90$$

Where-

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{min}$  = Price of lowest acceptable tender.

(2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner.

(a) 05 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

(b) 03 points will be awarded to a company that is owned by women (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

(c) 02 Points will be awarded to a company that is owned by a person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

**80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million**

6.(1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left( 1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

here-

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{max}$  = Price of highest acceptable tender.

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(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(a) 10 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

(b) 05 points will be awarded to a bidder that is a woman (a copy of the ID of the directors OR CSD report of the bidder will be used to verify the gender of the bidder)

(c) 05 points will be awarded to a company that is owned by person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

**90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million**

7.(1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$PS = 90 \left( 1 + \frac{pt - p_{max}}{p_{max}} \right)$$

Where-

$P_s$  = Points scored for price of tender under

consideration;  $P_t$  = Price of tender under

consideration; and

$P_{max}$  = Price of highest acceptable tender.

A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the following manner.

(a) 05 points will be awarded to a company that is 100% owned by black people (CSD report of the bidder will be used to verify the race of the bidder)

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(c) 02 Points will be awarded to a company that is owned by a person/persons with disability (Medical certificate will be used to verify the disability status of the bidder)

(2) The points scored for the specific goal must be added to the points scored for price

and the total must be rounded off to the nearest two decimal places.

(3) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

#### **Criteria for breaking deadlock in scoring**

8.(1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.

(2) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

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**Remedies**

- 9.(1) If an organ of state is of the view that a tenderer submitted false information regarding a specific goal, it must—
- (a) inform the tenderer accordingly; and
  - (b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.
- (2) After considering the representations referred to in subregulation (1)(b), the organ of state may, if it concludes that such information is false—
- (a) disqualify the tenderer or terminate the contract in whole or in part; and
  - (b) if applicable, claim damages from the tenderer.

**Repeal of regulations**

- 10.(1) Subject to this regulation, the Preferential Procurement Regulations, 2017 published in Government No. 40553 of 20 January 2017, are hereby repealed with effect from the date referred to in regulation 11.
- (2) Any tender advertised before the date referred to in regulation 11 must be dealt with in terms of the Preferential Procurement Regulations, 2017.

**Short title and commencement**

12. This policy is called the Preferential Procurement Policy Regulations, 2023-2024 and take effect on 31 May 2023.

Adoption date of amendment: 31 May 2023

**AUTHORIZED BY SIGNATURE**

I, THE UNDERSIGNED, CLLR M D MBOYI, SPEAKER, HEREBY CERTIFY THAT THIS CONTRACT MANAGEMENT POLICY, 2023/2024 IS AN EXTRACT AS FILED IN THE OFFICIAL AGENDA OF THE 582<sup>nd</sup> EXECUTIVE COMMITTEE MEETING HELD ON 31 MAY 2023 AND APPROVED BY COUNCIL AT ITS 174<sup>th</sup> SPECIAL MEETING HELD ON 31 MAY 2023 UNDER COUNCIL RESOLUTION A.76.31.05.23.

.....  
CLLR M D MBOYI

.....  
DATE





# MAKHADO LOCAL MUNICIPALITY

## PETTY CASH POLICY, 2023/2024

(Approved by Council Resolution A.76.31.05.23)

*Vision: "A dynamic hub for socio-economic development by 2050"*

*Mission: "To ensure effective utilization of economic resources to address socio-economic imperatives through mining, agriculture and tourism"*

### Values

1. Distinctiveness (Uniqueness, Excellence)
2. Progressiveness (Open Minded)
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### Seven (7) Strategic Objectives

1. Promote Community Participation and Environmental Welfare
2. Invest In Local Economy
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## **1. OBJECTIVES**

To provide for keeping limited cash resources in a form of Petty Cash in order to fulfill Incidental and spontaneous transactions that are undertaken by the municipality in the normal course of the operations.

## **2. LEGISLATIVE REQUIREMENT**

The Municipality shall at all times manage its cash and other assets in compliance with the provisions of any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003 especially the requirement of safeguarding the assets of the Municipality.

## **3. POLICY PRINCIPLES**

- The petty cash of the municipality must be kept at the minimum level required to finance the day to day operation of the municipality. For this purpose a daily, monthly and annual cash flow forecast are required.
- A maximum threshold of R15 000, or any other amount as the council may from time to time determine, shall be applicable to be the maximum cash to be held in relation to minor disbursements by the council.
- Disbursements from the petty cash shall not exceed R2000,00 or any other amount that the council may determine from time to time.

## **4. REPLENISHMENT OF PETTY CASH**

Petty cash replenishment shall be considered once a month, unless directed otherwise by the Chief Financial Officer or his / her delegate anytime sooner before the end of the month.

A comprehensive Petty Cash Reconciliation shall be prepared and appropriately balanced before it is presented to the Chief Financial Officer for approval and in order to authorize replenishment of Petty Cash.

A cash cheque equivalent to the amount authorized by the Chief Financial Officer Manager or his delegate shall be drawn and cashed by the Petty Cash Custodian in order to have cash on hand equal to be kept in safe custody at the municipality's premises.

## **5. USING THE PETTY CASH (EXPENDITURE)**

- All expenditures that are to be reimbursed with petty cash funds are to be preapproved by the fund custodian. A receipt to verify the purchase and payment must support expenditures from the fund. It is responsibility of the fund custodian to determine if the transaction meets the requirements as set forth in this policy.

- At the time the Expenditure is made, invoices/ receipts/ vouchers (in the name of the Municipality) or other document, such as a cash register receipt containing the following, must be obtained:
  - Date
  - Name of vendor
  - Positive evidence that a payment was made (i.e., a cash register receipt or handwritten receipt on which the word "Paid" appears)
  - The amount paid
  - A description of the goods purchased
  - A signature indicating receipt of goods
  - The fund custodian's signature documenting approval of expenditure
  
- An explanation of the purchase justifying the relevance of each purchased item at any given time, cash on hand plus receipt document must equal the authorized amount of the Petty Cash. It is the responsibility of the petty cash custodian to maintain a current record of the fund's financial status. The following format is recommended:

Date	Description	Purchases	Reimbursement	Balance
2016/09/05	Opening Balance			R1000.00
2016/09/13	Name of Vendor	R300.65		R699.35
2016/09/15	Name of Vendor	R250.00		R449.35
2016/09/25	Name of Vendor	R55.00		R394.35
2016/09/30	Reimbursement		605.65	R1000.00

- The purchase must be supported with cash register receipt. A hand written receipt will be acceptable in circumstances when a cash register receipt is not available. The vendor must sign the receipt, and the vendor's telephone number must be provided on the receipt. In all cases, adequate documentation justifying the purchase is required.
  
- All petty cash vouchers/ receipts must be attached on a requisition form and must be added and the form must be signed as verification.

#### 6. PREPARATION FOR PAYMENTS: VOUCHER (INTERNAL)

Once payment has been approved, the expenditure department shall complete and sign a voucher authorizing payment and record the transactions in accounting records.

#### 7. INTERNAL CONTROLS OVER PETTY CASH

- The Chief Financial Officer (CFO) shall be responsible for the maintenance of petty cash for the municipality. The CFO may delegate the duties of maintenance of petty cash to the **Senior Clerk Creditors** or any other authorized municipal official who should be independent of other functions in the Municipality.
  
- Petty Cash shall be kept in a lockable box. The access of the office where petty cash is restricted only to authorized personnel and access to the keys shall be strictly controlled by the Chief Financial Officer or his/her delegate. The petty cash box should be locked in a safe after office hours.

- A "surprise" petty cash count shall be conducted at least once a month by an official designated by the CFO. A "formal" petty cash count shall be conducted at year end and the account shall be balanced and reconciled to the General Ledger Account accordingly.
- Petty Cash will only be issued upon receipt by the **Senior Clerk Creditors** designated for petty cash of properly authorizes petty cash voucher with supporting documents.
- Petty Cash reconciliation to the general Ledger should be performed on monthly basis and reviewed by the CFO, who should sign or initial the reconciliation as proof of having reviewed it.

#### 8. REPORTING

- A monthly Petty Cash reconciliation report must be provided within 7 working days after month end to the CFO including:
  - i) The total amount of petty cash purchases for that month and
  - ii) Receipts and appropriate documents for each purchase.

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#### AUTHORIZED BY SIGNATURE

I, THE UNDERSIGNED, CLLR M D MBOYI, SPEAKER, HEREBY CERTIFY THAT THIS PETTY CASH POLICY, 2023/2024 IS AN EXTRACT AS FILED IN THE OFFICIAL AGENDA OF THE 582<sup>nd</sup> EXECUTIVE COMMITTEE MEETING HELD ON 31 MAY 2023 AND APPROVED BY COUNCIL AT ITS 174<sup>th</sup> SPECIAL MEETING HELD ON 31 MAY 2023 UNDER COUNCIL RESOLUTION A.76.31.05.23.

  
.....  
CLLR M D MBOYI

14/06/2023  
.....  
DATE